

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Fenton	County Genesee
Audit Date 6/30/04	Opinion Date 9/10/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

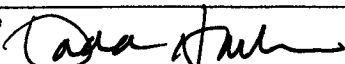
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

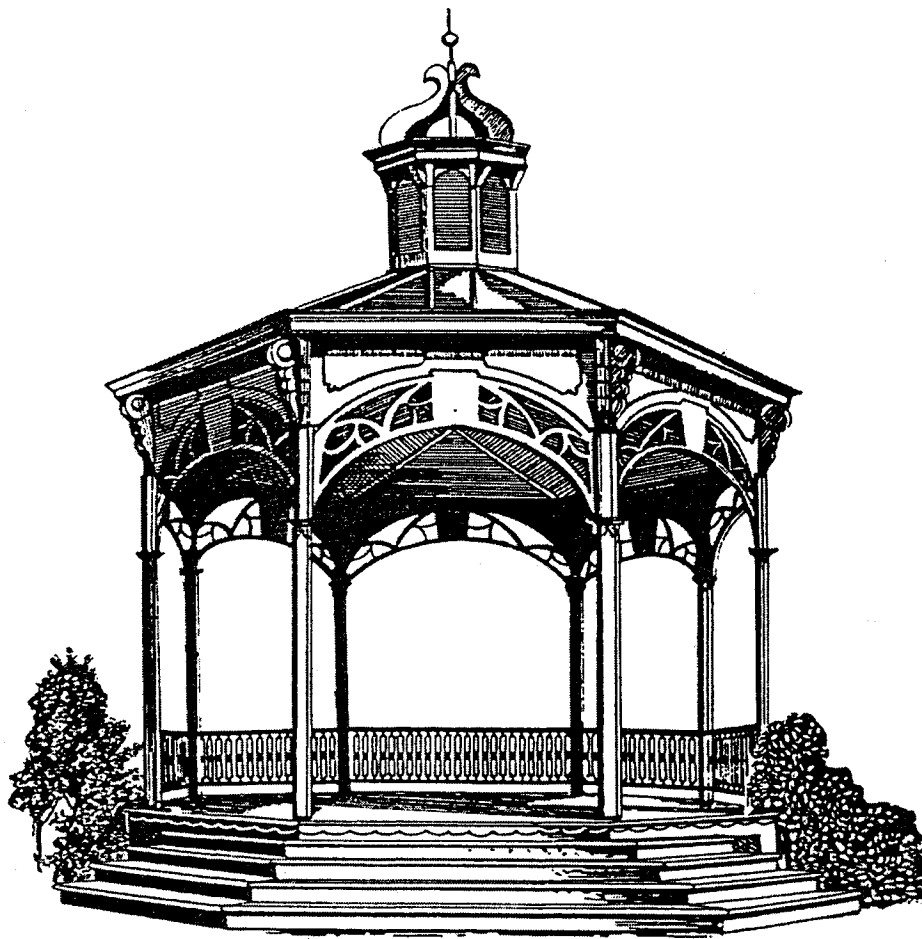
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).		✓	

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Date 12/30/04	

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2004**



City of Fenton, Michigan

Comprehensive Annual Financial Report

City of Fenton, Michigan

Fiscal Year Ended June 30, 2004

**Prepared By:
Treasurer's Department**

**Independent Auditors:
BKR Dupuis & Ryden**

Comprehensive Annual Financial Report
City of Fenton, Michigan
Year Ended June 30, 2004

Table of Contents

Page

Introductory Section

Table of Contents	A 1-5
Elected and Appointed Officials.....	B
Letters of Transmittal	C 1-8
GFOA Certificate of Achievement	D
Organizational Chart	E

Financial Section

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3.1-3.6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	4-7
Statement of Activities	8-9
Fund Financial Statements:	
Balance Sheet – Government Funds	10-11
Reconciliation of Fund Balances as Reported in the Governmental Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund All Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statements of Activities	14
Statement of Net Assets – Proprietary Funds	15-16
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds.....	17
Statement of Cash Flows - Proprietary Funds	18-19
Balance Sheet – Fiduciary Funds	20
Notes to Financial Statements	21-40

	<u>Page</u>
Required Supplementary Information Section:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Major Street Special Revenue Fund.....	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Local Street Special Revenue Fund	43
Combining Fund and Individual Financial Statements:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	45
Special Revenue Funds:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	46-47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	48-49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	50-55
Debt Service Funds:	
Nonmajor Debt Service Funds:	
Combining Balance Sheet.....	56-57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	58-59

City of Fenton
June 30, 2004
Table of Contents (continued)

	<u>Page</u>
Financial Statements of Individual Funds: - (continued)	
Capital Project Funds:	
Nonmajor Capital Project Funds:	
Combining Balance Sheet.....	60-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	62-63
Internal Service Funds:	
Combining Statement of Net Assets	64
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	65
Combining Statement of Cash Flows.....	66
Fiduciary Funds:	
All Agency Funds:	
Combining Balance Sheet.....	67
Statement of Changes in Assets and Liabilities	68
Other Financial Information:	
Capital Assets Used in the Operations of Governmental Funds:	
Schedule by Source.....	69
Schedule by Function and Activity	70-71
Schedule of Changes by Function and Activity.....	72
Debt Service Requirements to Maturity Schedule:	
Annual Debt Service Requirements on Long-Term Debt	73

Other Financial Information: - (continued)

Debt Service Requirements to Maturity Schedule: - (continued)

Schedules of Debt Service Requirements for Long-Term Debt:

Pierce Dash Pumper Fire Truck	74
Governmental:	
Schedule of 1991 Local Development Bonds	75
Schedule of 1994 Downtown Development Bonds	76
Schedule of 2002 General Obligation Limited Tax Development Bonds.....	77
Enterprise Fund – Sewer:	
Schedule of 1997 Sewage Disposal System No. 3 Bonds	78
Schedule of Sewage Disposal System No. 3 Series 1998 Bonds	79
Enterprise Fund – Water:	
Schedule of Michigan Municipal Bond Authority – Michigan Drinking Water Revolving Fund Bonds.....	80
Schedule of Michigan Municipal Bond Authority – Michigan Drinking Water Revolving Fund Bonds.....	81

Statistical Section - Unaudited

Table 1 - General Governmental Expenditures by Function	82-83
Table 2 - General Governmental Revenues by Source	84-85
Table 3 - Property Tax Levies and Collections.....	86-87
Table 4 - Assessed and Taxable Value of Taxable Property	88
Table 5 - Property Tax Rates - Direct and Overlapping Governments	89-90
Table 6 - Special Assessment Billings and Collections.....	91
Table 7 - Ratio of Net General Bonded Debt to Taxable Value and Net Bonded Debt Per Capita	92-93

	<u>Page</u>
Statistical Section - Unaudited	
Table 8 - Computation of Legal Debt Margin.....	94
Table 9 - Computation of Direct and Overlapping Debt	95
Table 10 - Revenue Bond Coverage Water Bonds	96
Table 11 - Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures.....	97
Table 12 - Demographic Statistics.....	98
Table 13 - Property Value, Construction, and Bank Deposits.....	99-100
Table 14 - Principal Taxpayers.....	101
Table 15 - Miscellaneous Statistics	102

City of Fenton, Michigan
List of Elected and Appointed Officials

Mayor

Barbara Sue Osborn

City Council

Edward M. Angeluski

Cheryl A. King

Dianne North

Peter Medor III

Carl S. Hammond

John Rauch

Appointed Officials

Leslie Bland Public Works Director

Richard Aro.....Police Chief

Dennis Smith..... Fire Chief

Cynthia A. Dethloff..... City Treasurer

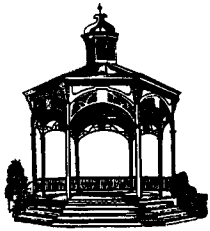
Noel Brad Hissong..... Building Inspector

Melinda Carrier City Clerk

Amanda Carrigan City Assessor

Michael Senyko.....City Manager

Christopher Wren.....Assistant City Manager



City of Fenton

301 South Leroy Street · Fenton, Michigan 48430-2196 • (810) 629-2261 • FAX (810) 629-2004

September 10, 2004

Honorable Mayor Osborn and the Fenton City Council:

In accordance with State statute and provisions of the City Charter, it is my pleasure to submit to you and the citizens of Fenton, the comprehensive annual financial report of the City of Fenton for the fiscal year ending June 30, 2004 (FY 04). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes, and has made its best efforts to insure, that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

In developing and monitoring the City's accounting system, significant consideration is given to the adequacy of our systems of fiscal checks and balances. Our internal accounting controls are regularly reviewed, not just by our auditors in the preparations of our annual audit, but also by the City Treasurer and the City administration throughout the year as we examine current and proposed practices and procedures. Based upon these regular reviews, I believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of our financial transactions.

This report has been formulated following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. The GFOA annually awards Certificates of Achievement to those governments whose financial reports are judged to meet the high standards of public financial reporting including generally accepted accounting principles. We can point with some pride that for sixteen consecutive years, beginning with Fiscal Year 1988, we have been the recipients of the GFOA's Certificate of Achievement.

This accompanying report consists of three major sections:

1. Introductory Section, including the City Treasurer's transmittal letter.
2. Financial Section, including the financial statements and supplemental data and our independent auditor's opinion.
3. Statistical Section, including a number of tables of unaudited data detailing the financial history of the City of Fenton for the past ten (10) years, information on overlapping governments and demographic and other miscellaneous data.

Public Act 2 of 1968 of the State of Michigan, as amended, requires that the financial statements of the City of Fenton be audited by a certified public accountant selected by the City Council. This requirement has been met through bidding out and retaining the services of BKR Dupuis & Ryden as our independent auditors. We are in the first year of a five year contract with them. The opinion letter of our auditors is included in the financial section of this report.

The City of Fenton has ended the fiscal year in stable financial condition and we continue to experience strong commercial, residential and industrial growth. There is a continued high level of interest in developing in Fenton as reflected by inquiries and actual plans submitted by developers. This continued balanced growth bodes well for Fenton's long term vitality. Our location near several major metropolitan markets, as well as our relatively new position as the commercial hub for southern Genesee and northern Livingston counties, quality educational system, abundant natural resources, and overall quality of life continue to make Fenton a community in demand.

While we recognize the opportunities that growth provides, we also understand the challenges which accompany it as well. The City is addressing these challenges through its continued planning for the future. Significant examples of planning for the future, as well as current accomplishments, include:

- Continued construction of the connection of Main Street and Silver Lake Road
- Completed construction of a new water plant and installation of miles of water mains around the City
- Continuing to budget and add staff to accommodate and meet the needs of our expanding community
- Commence purchase of a new radio communications system for the Police and Fire Departments
- Purchase of a new ladder truck for the Fire Department
- Purchase of a new Grader for the Department of Public Works
- Continued implementation of a Geographic Information System (GIS)

Wherever possible the City has made use of grant, matching, or low interest funds to help meet the needs of the community. Examples of such grants benefiting the City include road and water system improvements, sidewalk extensions, recreational paths, tree planting and planning studies. The City has also worked with other outside organizations to help provide the infrastructure necessary to meet the City's current and future needs.

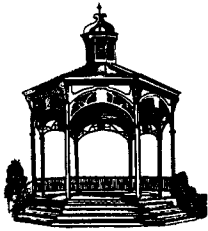
It should again be noted that the preparation of this comprehensive annual financial report could not have been accomplished without the efforts of our City Treasurer, Cynthia Dethloff. Her continued efforts to upgrade the City's accounting, financial reporting and information management systems has contributed significantly to the quality of the information being reported to the City Council and the citizens of Fenton. In closing, let me express my hope that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or suggestions regarding this document or the information it contains, please contact either the City Treasurer or myself.

My staff and I look forward to reviewing this information with you.

Respectfully submitted,



Michael J. Senyko
City Manager



City of Fenton

301 South Leroy Street · Fenton, Michigan 48430-2196 • (810) 629-2261 • FAX (810) 629-2004

September 10, 2004

To the Citizens of the City of Fenton:

The comprehensive annual financial report of the City of Fenton for the fiscal year ended June 30, 2004 is hereby submitted. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the government's organizational chart, and this transmittal letter. The Basic Financial Statements section includes the entity-wide financial statements, fund financial statements and schedules. Other supplementary information includes combining and individual fund financial statements. The statistical section includes various tables that reflect social and economic data, financial trends, and the fiscal capacity of the City. This data is unaudited.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 (GASB No. 34), which significantly changed the contents and format of the municipal financial statements. GASB No. 34 was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. Prior to GASB No. 34, municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB No. 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operation accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting and can continue to meet operational objectives into the foreseeable future. The accompany report is the first issued by the City of Fenton in compliance with the new format requirements of GASB 34.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Fenton's MD&A can be found immediately following the report of the independent auditor.

The City operates under the council-manager form of government. The City Council is comprised of the mayor and six members. The members are elected on a staggered basis for four year terms. The mayor is elected every two years. The City Manager and City Attorney are appointed by, and serve at the pleasure of the council.

REPORTING ENTITY

The City of Fenton has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

The City provides various municipal services to its citizens. Among these are fire and police protection, garbage collection, parks maintenance and activities, street construction and maintenance, planning and zoning, and general administrative services. The City operates its own water system and sanitary sewer system.

The following organization was evaluated against the reporting entity criteria and is included in the City's annual report as a blended component unit for the reasons stated:

City of Fenton Building Authority:

- City appoints governing board.
- Surplus funds existing at termination of Authority vest to the City of Fenton.

The following organizations were evaluated against the reporting entity criteria and are included in the City's annual report as discretely presented component units for the reasons stated:

Local Development Finance Authority:

- Unit is legally separate from the City.
- City appoints majority of governing board.
- Surplus funds existing at termination of Authority vest to the City.

Downtown Development Authority:

- Unit is legally separate from the City.
- City appoints majority of governing board.
- Surplus funds existing at termination of Authority vest to the City.

ECONOMIC CONDITION AND OUTLOOK

The City of Fenton is located in the southeast corner of Genesee County, bordering Livingston County to the south and Oakland County to the east. Livingston County is the fastest growing county in Michigan. Genesee County is the fourth largest county in the state. Fenton is accessible to the City of Flint, 15 miles to the north and the City of Detroit, 48 miles to the south. Genesee County is effectively now part of the Southeast Michigan economy and is also part of the Detroit Comprehensive Statistical Area.

The City is a stable community with many assets – quality residential neighborhoods, good schools, beautiful view of the Shiawassee River, and historic downtown and residential neighborhoods, a solid industrial base and convenient freeway access. Periodic events and festivals, such as the 4th of July Freedom Festival and Applefest contribute to Fenton's "small town" sense of community.

Many choices of housing are available in Fenton. Whether it is single-family homes in beautiful neighborhoods, apartment communities in convenient locations, or condominiums tucked away in lovely wooded area. For those whose careers take them outside of the City, they do not have far to travel since all major metropolitan areas such as Ann Arbor, Lansing, Flint and the Detroit Area are located within an hour's drive. Several residential developments are in the building or planning stages. Eagles at the Waters Edge development includes 92 attached condos, 138 townhouse units attached, and 65 single family detached condos. Heritage Pond includes 57 sites condos and Pine Creek North is developing 268 site condos.

The City is the heart of a beautiful recreation area. There are 58 lakes within a 10-mile radius of the City, which are used for fishing, boating, swimming and other water sports. Silver Lake Park in Fenton features a municipal beach and picnic areas. Lake Fenton, with more than 11 miles of shoreline, is the largest lake in the area, encompassing 845 acres and with a maximum depth of 92 feet. The area around the City provides facilities for downhill and cross-country skiing, snowmobiling and ice fishing.

Fenton Area Public Schools is one of the finest school districts in the state, with three public elementary schools, a fifth- and sixth-grade, a new seventh- and eighth-grade building which was built in 2000, and a high school. A small portion of the City is located in the Lake Fenton Community Schools which has just built a new state-of-the-art high school. In addition, the City is the home to a private parochial school for parents who choose a religion-based education for their children.

The 2000 U.S. Census was 10,582, a population increase of 25% or 2138 persons from 1990. The estimated population for 2004 is 12,000.

A steady diversified growth in local industries has continued. New service-related businesses continue to establish in Fenton. Many new commercial businesses have opened in Silver Lake Village, a 153.9 acre Planned Unit Business development on the west side of the City. In the current year this development has attracted the new businesses of Panera Bread and Bank One. Foley Development Company is continuing construction on another Planned Unit Business development, 37.15 acres, which is located north of Silver Lake Village. The development has attracted Sunrise Sports, Ya Ya's Chicken and Common Grounds Coffee Shop. A new Planned Unit Business development of 18.71 acres is being planned with the anchor store being Target. Also the Wal-Mart is planning to increase their size to a Super Wal-Mart. A multi-million dollar industrial park is located in the City. This park is filled with strong viable corporations, enhancing the employment market and tax base in the City.

MAJOR INITIATIVES

For the Year. A major concern, year after year, of the City is the maintenance and expansion of the general infrastructure (roads, bridges and sidewalks). The City has received a Surface Transportation Program Fund Grant (\$900,000) to complete the Main and Silver Lake Road connector. This project will improve the route between US-23 and I-75 interchange. This project was in the planning and engineering stages during the fiscal year. The Surface Transportation Program Fund Grants require a 20% match plus engineering expenses.

A main goal of the City council is to continue establishment of a local street capital improvement program. This fiscal year the resurfacing of Jennings and Bealfred Roads was started.

The Downtown Development Authority (DDA) was involved in the replacement of street lights in the downtown area. The new street lights improved the aesthetics of the downtown and include matching banner arms. The DDA has developed a plan for a streetscape in the area of the Main and Silver Lake Road connector. This connector is main entrance to the City from the I-75 interchange and attractive landscaping will benefit this area.

The City has completed the new water plant (\$9,000,000) with 4.0 million gallons per day capacity. The lime-soda ash water softening plant will improve the quality of water for Fenton residents. Also the City has completed water main improvements of \$2,100,000. The City has received a low interest (2.5%) Drinking Water Revolving Fund (DWRF) Loan from the State of Michigan for these projects.

The Police Department has connected to the Oakland County's CLEMIS (Courts and Law Enforcement Management Information System). CLEMIS is state-of-the-art computer technology used by criminal justice and public safety agencies. By serving as a technical link among multiple agencies, CLEMIS promotes communication and sharing of criminal justice information.

The City has continued to maintain and improve the GIS (Geographic Information Systems). The assessing, zoning and infrastructure information are included on the GIS system. Using the GIS system to create emergency management mapping for the police and fire department is a future project.

For the Future. For the ongoing protection of the City, the City council has set a policy to maintain the combination of the General Fund and Budget Stabilization Fund balances at 20% of net General Fund operating revenues and have met these requirements. Council will strive to continue meeting this goal in the future. The City prepares a five-year financial plan annually for the General Fund.

Annually, the City updates a five-year plan for capital improvements (infrastructure). Council has a policy to annually designate 1.5 mills of the general operating millage for capital improvements.

The City has been chosen to receive a Surface Transportation Program Fund Grant in next fiscal year for the Torrey Road Bridge Project. Community Development Block Grant funds will be used to resurface Thurber Street.

The DDA is planning Mill Pond Dam improvements for the coming year. Structural and surface improvements are planned. Also landscaping improvements will be added to the Mill Pond Park area. Adjacent to Mill Pond Park is the vacant historical fire hall built in 1932. The DDA plans to remodel this building for the anticipated use as a restaurant.

The DDA commissioned the firm of Gibbs Planning Group to research and compile a marketing study of Fenton's retail market. The results are promising. Fenton's current market demand far exceeds the supply of goods and services. According to the study, Fenton can support additional department stores, restaurants, groceries and general retail. In the coming year the DDA is contracting a design plan for downtown which will set guidelines for businesses and parking.

The City will be creating a new position of Economic Development Director in the next fiscal year. This person will be hired for the leadership, administration and coordination of all DDA, LDFA (Local Development Finance Authority), BRA (Brownfield Redevelopment Authority) and economic development activities.

Fire Department Focus

The City of Fenton Fire Department is located in a newly built facility at 205 E. Caroline St. in downtown Fenton. The new fire hall is complete with a state-of-the-art training center and equipment. Led by Fire Chief Dennis Smith, the fire department is manned by more than 20 dedicated paid, on-call firefighters.

Estimated fire losses in 2003 amounted to approximately \$476,500, but overall, \$16 million was saved through the tireless efforts of the Fenton Fire Department. Medical calls continue to be the most frequent type of incident, and account for approximately 50 percent of all incident reports. Several commendations were awarded in 2003 to those firefighters involved in "Saving a Resident" using CPR.

The Fire Department's new training facility has become the training center for Genesee County. Fenton hosted its first Medical First Responder Program in 2003. The department is committed to obtaining nationally recognized training with the most cost-effective means available. All of the Fenton firefighters continue to excel in their personal and professional responsibilities to the communities they serve.

The members of the City of Fenton Fire Department are committed to and actively participate in all activities aimed at deterring, preventing and preparing for and responding to a terrorist attack on the United States. Under the direction of the fire chief, the entire City administration has begun training in emergency and disaster response.

FINANCIAL INFORMATION

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. After thorough evaluation of all proposals, the City council adopts an annual a budget for the general fund, special revenue funds, and debt service funds. The budget is legally enacted on a departmental (activity) basis. Monthly budget reports are provided to department heads and it is their responsibility to see that expenditures are within the budgetary guidelines. An online inquiry system is also available to department heads in which they could review budget to actual figures on a daily basis. Quarterly budget reports are provided to council for their review.

Pension Plan. The City participates in the Michigan Municipal Employees Retirement System (MERS), which is an agent multiple-employer public employee retirement system (PERS). Each year an independent actuary engaged by the pension plan calculates the amount of annual contributions that the City of Fenton must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Fenton fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of the funding policy, the City of Fenton has succeeded as of December 31, 2003, in funding 80 percent of the present value of projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as a part of the annual required contribution calculated by the actuary.

Cash Management. The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in demand deposits (savings and checking), investment pool, certificates of deposit, and money markets. The average yield on maturing investments during the year was 2.25%, and the amount of interest received was \$185,904 for the primary government.

Risk Management. The City is insured for workers' compensation through the Michigan Municipal League's workers' compensation fund. The City has entered into an agreement with the Municipal Alliance for property and liability insurance.

OTHER INFORMATION

Independent Audit. The City Charter and State laws require an annual audit of the financial records and transactions of the City by a firm of independent licensed certified public accountants. This requirement has been complied with and the City's financial statements have received an "unqualified opinion" from BKR Dupuis

& Ryden, Certified Public Accountants. An unqualified opinion is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

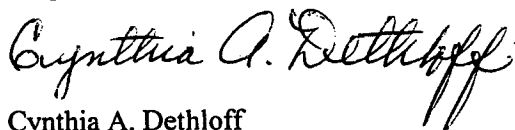
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fenton for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Fenton has received a Certificate of Achievement for the last sixteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. The continuing efforts of department heads and office staff make possible the preparation of this comprehensive annual financial report. Commitment to fiscal integrity and financial leadership by the City Council is appreciated. The accounting firm of BKR Dupuis & Ryden also made substantial contributions in the preparation of this document.

Respectfully,

A handwritten signature in cursive script, reading "Cynthia A. Dethloff". The signature is written in dark ink and is positioned above the printed name and title.

Cynthia A. Dethloff
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fenton,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Fenton, Michigan Organizational Chart

Citizens of the City of Fenton

Mayor and
City Council

City Attorney

Planning Commission	Library Board
Local Development Finance Authority	Compensation Commission
Building Authority	Cemetery Board
Museum Board	Board of Review
Zoning Board of Appeals	Beautification Commission
Downtown Development Authority	Park And Recreation Board

City Manager

Police Chief	Fire Chief	City Clerk	Zoning Administrator	Treasurer	Assessor	Public Works Director
--------------	------------	------------	----------------------	-----------	----------	-----------------------

Support Staff

Financial Section

Independent Auditors' Report

Honorable Mayor and Members
of the City Council
City of Fenton
Fenton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fenton, Michigan, as of June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fenton, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1.B, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fenton, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, major street, and local street special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "*Government Auditing Standards*" we have also issued a report dated September 10, 2004 on our consideration of City of Fenton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The management's discussion and analysis, budgetary comparison information on pages 3.1 through 3.6 and is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements, other financial information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and other financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

September 10, 2004

Management's Discussion and Analysis

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of narratives and financial statements. This narrative should be considered in conjunction with the additional information presented in the letters of transmittal found on pages C-1 through C-8 and is intended to serve as an introduction to the City of Fenton's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Fenton's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Fenton is improving or deteriorating. The statement of activities presents information that shows how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. As a result, revenues and expenses are reported in this statement for some items that only result in cash flows in future fiscal periods.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover costs from user fees and charges for services (business-type activities). The governmental activities include general government, public safety, public works, parks and recreation, community service, and cemetery. The business-type activities include the water and sewer operation of the City. The government-wide financial statements include not only the City of Fenton (known as the primary government), but also the legally separate Downtown Development Authority and Local Development Finance Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the City.

Fund Financial Statements (which report the City's operation in more detail than the government-wide financial statements) follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities and to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. This comparison may allow the readers to better understand the long-term impact of the City's short-term financing decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and government activities.

The City of Fenton maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Major and Local Streets Funds, all of which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fenton adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all the governmental funds to demonstrate budgetary compliance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City of Fenton uses Enterprise Funds to account for its water and sewer operations. These funds are considered major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The City of Fenton uses an Internal Service Fund to account for its equipment usage and also to accumulate resources for employee sick pay. Because these programs predominantly benefit governmental rather than business-type functions, it has been consolidated within the governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information concerning the City's budgetary comparison statements for the General and major Special Revenue funds as well as budget footnotes. This required supplemental information is in addition to the basic financial statements and accompanying notes.

Other Financial and Supplemental Information, such as the combining statements and certain budget comparison statements referred to earlier, as well as various financial schedules and the statistical information, are presented immediately following the required supplemental information.

Table 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of the City of Fenton, Michigan's
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and major/local streets	Activities the City operates similar to private businesses: the water and sewer system	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The City of Fenton as a Whole

The City's combined net assets increased 7.6 percent from a year ago, increasing from \$24.9 million to \$26.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$1.55 million in net assets, or 83 percent, during fiscal year 2004. This increase is attributable to transfers from component units to fund debt service on long-term debt and to finance projects undertaken by the primary government. The business-type activities experienced a \$233,710 increase in net assets. This was primarily due to contributions of water and sewer lines and the continued growth in the customer base. In a condensed format, the table below shows the presentation of net assets (in millions of dollars) as of June 30, 2004. Due to this report being the first year of GASB 34 presentation, comparative information will be presented in subsequent year annual financial reports.

City of Fenton
Condensed Data
Statement of Net Assets – 2004
(in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Current and other assets	\$ 3.9	\$ 6.8
Capital assets	7.5	38.9
Total assets	<u>11.4</u>	<u>45.7</u>
Long-term liabilities	7.0	21.4
Other liabilities	1.0	0.9
Total liabilities	<u>8.0</u>	<u>22.3</u>
Net assets:		
Invested in capital assets, net of related debt	0.4	17.3
Restricted	1.2	0.0
Unrestricted	1.8	6.0
Total net assets	<u>\$ 3.4</u>	<u>\$ 23.3</u>

Unrestricted net assets for the governmental activities, which is the portion of net assets that is available to finance day-to-day operations and future growth, was \$1.8 million at June 30, 2004.

The following table shows the changes in net assets (in millions of dollars) for fiscal 2004.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1.1	\$ 3.2
Capital grants	0.0	0.6
General revenues:		
Property taxes	3.5	0.0
State shared revenues	0.9	0.0
Motor fuel taxes	0.7	0.0
Grants and contributions	0.2	0.0
Other (including transfers)	1.5	0.1
Total revenues	<u>\$ 7.9</u>	<u>\$ 3.9</u>
Expenses:		
Legislative	\$ 0.2	\$ 0.0
General government	1.2	0.0
Public safety	2.8	0.0
Public works	1.5	0.0
Parks and recreation	0.1	0.0
Community service	0.1	0.0
Cemetery	0.1	0.0
Other	0.3	0.0
Water	0.0	1.3
Sewer	0.0	2.4
Total expenses	<u>6.3</u>	<u>3.7</u>
Increase in net assets	1.6	0.2
Net assets at July 1, 2003	1.8	23.1
Net assets at June 30, 2004	<u>\$ 3.4</u>	<u>\$ 23.3</u>

Governmental Activities

The City's total governmental revenues decreased by approximately \$106,000 due to a drop in the state shared revenues, on a full accrual basis, caused by Michigan's slower recovery from the recent recession and the corresponding drop in sales tax collections by the State. The reduction in state-shared revenues was offset by increases in charges for services, and property taxes due to increased property values and commercial and industrial growth.

Expenses decreased by approximately \$260,000, or 3.9 percent, from last fiscal year. This decrease resulted from a reduction in public safety expenses offset by increases in the City's labor agreements and increases in the employee health insurance costs, as well as the continued growth of the City of Fenton and related demand for various services by the community.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Funds. The City provides water from wells located in the City. The new water treatment plant processes the water for all residents. The water rates were not increased for fiscal 2004 and 2003 but an increase will occur in 2005 to support the additional expenses to operate the new water plant. Water usage has increased during the fiscal year due commercial and residential growth in the City. The City has completed water main improvements of \$2,100,000.

The City is a participant in a county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. The City contracts with Genesee County Water and Waste Services for the operation of the plant. The City has pledged the full faith and credit of the City for the payment of the City's share of principal and interest payments. The assets and liabilities relating to those contracts have been recorded in the Sewer Fund. The City of Fenton, Fenton Township and City of Linden share a plant located in Fenton Township. The City's proportionate share of the operating costs of the plant is covered by our sewer rates. Sewer rates remained the same in the fiscal years 2004 and 2003. During fiscal 2004, \$216,000 in operating loss was incurred in the Sewer Fund and a \$398,000 operating income was realized in the Water Fund.

The City's Funds

Our analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing. The City's major funds for 2004 include the General Fund, the Major and Local Street Funds.

The General Fund pays for most of the City's governmental services. The most significant of these are police and fire services, which incurred expenditures of approximately \$2.5 million in 2004. The general operating millage levied by the City supports these two services. Net assets in the General Fund increased by \$55,644 primarily due to budgeted expenditure reductions across all programs and higher than anticipated charges for services.

Net assets of the Major and Local Streets Funds increased (decreased) by \$31,023 and \$(1,969), respectively.

General Fund Budgetary Highlights

Over the course of the year, City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were under budget. Expenditures were \$228,000 under budget, mainly due to the efforts of administrators to keep expenditures under control.

Capital Assets and Debt Administration

At the end of fiscal 2004, the City had \$46.3 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets and water and sewer lines. The value of the infrastructure assets, net of depreciation, contained in this report is \$1.2 million for fiscal 2004.

The City's general obligation bonds maintained ratings of AAA from Moody's and AAA from Standard and Poors. The City did not issue any long-term debt during the fiscal year. The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

	2004	2003
Net direct bonded debt (000's)	\$ 4,106	\$ 5,064
Ratio of debt to assessed valuation	1.11	1.43
Debt per capita	\$ 388	\$ 479

Economic Factors and Next Year's Budgets and Rates

The City levied an operating millage of 11 mills from 1989 to 2001. The City charter's operating millage is 13 mills. During these years the Headlee Amendment authorized millage was higher than 11 mills but the City Council chose not to levy the full authorized millage. In the past two years the Headlee Amendment has rolled the City's operating millage below 11 mills. For 2003 and 2004 the City has levied 10.98 and 10.87, respectively. In March 1994, Proposal A was enacted, which limits the growth on existing property to the rate of inflation. The inflation rate allowed for fiscal 2004 under Proposal A was only 2.3 percent. Property taxes make up 68 percent of our General Fund budget revenue and Proposal A and the Headlee Amendment limit the growth of this revenue. Fortunately, the City has been experiencing new growth and development. Most of this tax revenue growth is captured by the DDA but the DDA has completed many projects which benefit the City as a whole. State-shared revenue payments decreased by \$96,000 this past year and are likely to decrease again due to the State's structural deficit problems.

The General Fund budget for 2005 is structured so that revenues and expenditures are equal. This ensures that the City maintains adequate fund balance reserves. The City makes an effort to operate with relative low personnel costs and an efficient labor force. Medical insurance costs continue to increase at about 15% a year. Each year the City completes a major road infrastructure project, for 2005 this is the Main/Silver Lake Road Connector. The City prepares a Five Year Financial Plan for the General Fund, foreseeing the possible financial condition for more than just one year.

The City began operation of the new water plant in July 2004. The lime-soda ash water softening plant will improve the quality of water for Fenton residents. Hopefully residents will not have to operate individual water softeners in their homes. Rates will be increased to support the operation of the new plant during the 2005 fiscal year. Sewer rates are reviewed every year to insure that rates are covering the costs of the operation of the plant.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the resources it receives. If you have any questions about this report or need additional information, we invite you to contact the administration offices at City Hall.

Basic Financial Statements

Government-Wide Financial Statements

City of Fenton
Statement of Net Assets
June 30, 2004

Primary Government

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,147,607	\$ 3,132,193	\$ 5,279,800
Investments	826,562	1,760,092	2,586,654
Receivables (net of allowances for uncollectibles):			
Taxes	176,082	-	176,082
Accounts	228,529	849,829	1,078,358
Tap in fees	-	-	-
Special assessments	108,107	-	108,107
Accrued interest	674	1,007	1,681
Unbilled utility charges	-	200,839	200,839
Due from component units	29	-	29
Due from other governmental units	319,132	-	319,132
Internal balances	33,434	(33,434)	-
Inventory	40,056	40,070	80,126
Prepaid items	62,558	5,109	67,667
Restricted assets:			
Cash and cash equivalents:			
Held by County	1,231	410	1,641
Bond redemption	-	879,539	879,539
Capital assets (net of accumulated depreciation)	7,458,933	38,886,542	46,345,475
Total assets	\$ 11,402,934	\$ 45,722,196	\$ 57,125,130

Component Units	
Downtown Development Authority	Local Development Finance Authority
\$ 2,151,433 9,963	\$ 1,011,761 19,339
-	-
-	-
-	-
-	-
203	704
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
295,000	-
\$ 2,456,599	\$ 1,031,804

(continued)

City of Fenton
Statement of Net Assets (continued)
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 289,624	\$ 698,206	\$ 987,830
Accrued liabilities	287,617	124,046	411,663
Accrued interest payable	-	2,736	2,736
Deposits payable	119,299	-	119,299
Due to primary government	-	-	-
Due to other governmental units	252,241	-	252,241
Due to employee - union groups	-	-	-
Deferred revenue	17,201	-	17,201
Meter deposits	-	780	780
Noncurrent liabilities:			
Current portion of debt	431,954	1,048,196	1,480,150
Long term portion of debt	6,603,571	20,514,049	27,117,620
Total liabilities	8,001,507	22,388,013	30,389,520
Net Assets			
Invested in capital assets, net of related debt	423,408	17,324,297	17,747,705
Restricted for:			
Highways and streets	108,614	-	108,614
Debt service	1,231	-	1,231
Other purposes	1,083,626	-	1,083,626
Unrestricted	1,784,548	6,009,886	7,794,434
Total net assets	3,401,427	23,334,183	26,735,610
Total liabilities and net assets	\$ 11,402,934	\$ 45,722,196	\$ 57,125,130

See notes to financial statements.

Component Units	
Downtown Development Authority	Local Development Finance Authority
\$ 67,150	\$ 7,762
-	-
-	-
29	-
-	-
-	-
-	-
-	-
-	-
-	-
67,179	7,762

295,000	-
-	-
-	-
-	-
2,094,420	1,024,042
2,389,420	1,024,042
\$ 2,456,599	\$ 1,031,804

**City of Fenton
Statement of Activities
Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Legislative and executive	\$ 168,023	\$ -	\$ -	\$ -
General government	1,187,463	10,438	-	-
Public safety	2,751,891	584,786	-	-
Public works	1,545,260	457,505	-	-
Parks and recreation	149,241	23,448	-	-
Community service	135,106	-	-	-
Cemetery	51,607	32,057	-	-
Interest on long term debt	354,504	-	-	-
Total governmental activities	6,343,095	1,108,234	-	-
Business-type activities:				
Water	1,270,492	1,443,342	-	154,665
Sewer	2,423,351	1,794,170	-	413,085
Total business-type activities	3,693,843	3,237,512	-	567,750
Total primary government	\$10,036,938	\$ 4,345,746	\$ - 0 -	\$ 567,750
Component units:				
Downtown development authority	\$ 205,566	\$ -	\$ -	\$ -
Local development finance authority	60,314	-	-	-
Total component units	\$ 265,880	\$ - 0 -	\$ - 0 -	\$ - 0 -

General revenues:

- Property taxes
- State shared revenues
- Motor fuel taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Loss on disposal of capital assets
- Transfers
- Total general revenues and transfers
- Change in net assets
- Net assets - beginning of year
- Net assets - end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Local Development Finance Authority
\$ (168,023)	\$ -	\$ (168,023)	\$ -	\$ -
(1,177,025)	-	(1,177,025)	-	-
(2,167,105)	-	(2,167,105)	-	-
(1,087,755)	-	(1,087,755)	-	-
(125,793)	-	(125,793)	-	-
(135,106)	-	(135,106)	-	-
(19,550)	-	(19,550)	-	-
(354,504)	-	(354,504)	-	-
(5,234,861)	-	(5,234,861)	-	-
-	327,515	327,515	-	-
-	(216,096)	(216,096)	-	-
-	111,419	111,419	-	-
(5,234,861)	111,419	(5,123,442)	-	-
-	-	-	(205,566)	-
-	-	-	-	(60,314)
-	-	-	(205,566)	(60,314)
3,471,199	-	3,471,199	1,067,770	505,570
911,537	-	911,537	-	-
732,282	-	732,282	-	-
208,061	-	208,061	-	-
63,613	122,291	185,904	47,127	17,358
11,616	-	11,616	-	-
1,384,765	-	1,384,765	(1,227,477)	(157,288)
6,783,073	122,291	6,905,364	(112,580)	365,640
1,548,212	233,710	1,781,922	(318,146)	305,326
1,853,215	23,100,473	24,953,688	2,707,566	718,716
\$ 3,401,427	\$ 23,334,183	\$ 26,735,610	\$ 2,389,420	\$ 1,024,042

Fund Financial Statements

**City of Fenton
Balance Sheet
Governmental Funds
June 30, 2004**

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Assets					
Assets:					
Cash and cash equivalents	\$ 505,788	\$ 134,550	\$ 9,165	\$ 1,118,619	\$ 1,768,122
Investments	634,984	-	-	-	634,984
Receivables:					
Taxes	176,082	-	-	-	176,082
Accounts	140,090	-	-	88,439	228,529
Special assessments	16,303	-	-	91,804	108,107
Accrued interest	674	-	-	-	674
Due from other funds	20,731	350	-	-	21,081
Due from component units	-	-	-	-	-
Due from other governments	296,613	16,000	-	6,519	319,132
Inventory	36,506	-	-	3,550	40,056
Prepaid items	61,575	-	-	983	62,558
Restricted assets:					
Cash and cash equivalents:					
Held by County	-	-	-	1,231	1,231
Bond redemption	-	-	-	-	-
 Total assets	 \$ 1,889,346	 \$ 150,900	 \$ 9,165	 \$ 1,311,145	 \$ 3,360,556

See notes to financial statements.

**City of Fenton
Balance Sheet (continued)
Governmental Funds
June 30, 2004**

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Liabilities					
Liabilities:					
Accounts payable	\$ 215,721	\$ 42,824	\$ 6,078	\$ 8,715	\$ 273,338
Accrued liabilities	83,486	854	1,695	2,872	88,907
Deposits payable	115,735	-	-	3,564	119,299
Due to other funds	-	-	-	6,519	6,519
Due to primary government	-	-	-	-	-
Due to other governments	252,241	-	-	-	252,241
Due to employees - union groups	-	-	-	-	-
Deferred revenue	29,304	-	-	96,004	125,308
Meter deposits	-	-	-	-	-
Total liabilities	696,487	43,678	7,773	117,674	865,612
Fund Balances					
Reserved	-	-	-	1,193,471	1,193,471
Unreserved:					
Designated	-	-	-	-	-
Undesignated	1,192,859	107,222	1,392	-	1,301,473
Total fund balances	1,192,859	107,222	1,392	1,193,471	2,494,944
Total liabilities and fund balances	\$ 1,889,346	\$ 150,900	\$ 9,165	\$ 1,311,145	\$ 3,360,556

City of Fenton
Reconciliation of Fund Balances as Reported in the Governmental
Balance Sheet to the Statement of Net Assets
June 30, 2004

Fund balances of governmental funds	\$ 2,494,944
-------------------------------------	--------------

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds.	7,176,571
---	-----------

Internal service funds are used by management to charge the costs of fleet management and compensated absences to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	657,330
---	---------

Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(7,035,525)
---	-------------

Special assessment revenues to be received in the future are recognized at the governmental wide level due being measurable and earned.	<u>108,107</u>
--	----------------

Net assets of governmental activities	<u><u>\$ 3,401,427</u></u>
---------------------------------------	----------------------------

See notes to financial statements.

City of Fenton
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2004

	General	Major Street	Local Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,471,199	\$ -	\$ -	\$ -	\$ 3,471,199
Special assessments	-	-	-	21,592	21,592
Licenses and permits	199,950	-	-	-	199,950
Intergovernmental revenue:					
State	911,537	511,726	220,556	-	1,643,819
Charges for services	241,250	-	-	649,204	890,454
Fines and forfeits	87,889	-	-	-	87,889
Interest	45,466	2,763	1,026	8,725	57,980
Refunds and reimbursements	653	-	-	-	653
Miscellaneous revenues	104,209	7,747	-	7,563	119,519
Total revenues	5,062,153	522,236	221,582	687,084	6,493,055
Expenditures:					
Current:					
Legislative and executive	168,023	-	-	-	168,023
General government	1,110,618	-	-	-	1,110,618
Public safety	2,481,013	-	-	205,826	2,686,839
Public works	192,126	501,236	618,551	459,611	1,771,524
Recreation and cultural	-	-	-	196,359	196,359
Community service	135,106	-	-	-	135,106
Cemetery	-	-	-	51,607	51,607
Capital outlay	49,995	-	-	650,114	700,109
Debt service:					
Principal retirement	-	-	-	420,405	420,405
Interest and fiscal charges	-	-	-	354,504	354,504
Total expenditures	4,136,881	501,236	618,551	2,338,426	7,595,094
Revenues over (under) expenditures	925,272	21,000	(396,969)	(1,651,342)	(1,102,039)
Other financing sources (uses):					
Transfers in	25,000	110,023	395,000	1,459,234	1,989,257
Transfers out	(894,628)	(100,000)	-	372,508	(622,120)
Total other financing sources (uses)	(869,628)	10,023	395,000	1,831,742	1,367,137
Revenues and other sources over (under) expenditures and other uses	55,644	31,023	(1,969)	180,400	265,098
Fund balances - beginning of year	1,137,215	76,199	3,361	1,013,071	2,229,846
Fund balances - end of year	\$ 1,192,859	\$ 107,222	\$ 1,392	\$ 1,193,471	\$ 2,494,944

See notes to financial statements.

City of Fenton
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 265,098
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	815,274
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These are the effects of these differences in the treatment of long-term debt and related items.	
- Debt principal payments	420,405
The net revenue of certain activities of internal service funds is reported with governmental activities.	58,649
Recognition of special assessment revenue on an accrual basis	<u>(11,214)</u>
Change in net assets of governmental activities	<u><u>\$ 1,548,212</u></u>

See notes to financial statements.

**City of Fenton
Statement of Net Assets
Proprietary Funds
June 30, 2004**

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,622,234	\$ 509,959	\$ 3,132,193	\$ 379,485
Investments	80,486	1,679,606	1,760,092	191,578
Receivables:				
Accounts	521,422	328,407	849,829	-
Accrued interest	-	1,007	1,007	-
Unbilled utility service income	121,743	79,096	200,839	-
Due from other funds	-	-	-	18,872
Due from component units	-	-	-	29
Inventory	-	40,070	40,070	-
Prepaid items	129	4,980	5,109	-
Total current assets	3,346,014	2,643,125	5,989,139	589,964
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents:				
Held by the County	-	410	410	-
Bond redemption	-	879,539	879,539	-
Total restricted assets	-	879,949	879,949	-
Capital assets:				
Construction in progress	-	3,285,566	3,285,566	-
Land	157,803	33,127	190,930	-
Building improvements	-	7,968,209	7,968,209	-
Machinery and equipment	287,588	376,064	663,652	1,233,859
Improvements other than buildings	26,710,459	6,352,392	33,062,851	-
Allowance for depreciation	(3,411,974)	(2,872,692)	(6,284,666)	(951,497)
Total capital assets (net of accumulated depreciation)	23,743,876	15,142,666	38,886,542	282,362
Total noncurrent assets	23,743,876	16,022,615	39,766,491	282,362
Total assets	\$ 27,089,890	\$ 18,665,740	\$ 45,755,630	\$ 872,326

See notes to financial statements.

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Liabilities				
Current liabilities:				
Accounts payable	\$ 259,753	\$ 438,453	\$ 698,206	\$ 16,286
Accrued liabilities	36,603	87,443	124,046	198,710
Accrued interest payable	-	2,736	2,736	-
Due to other funds	13,917	19,517	33,434	-
Total current liabilities	310,273	548,149	858,422	214,996
Noncurrent liabilities:				
Meter deposits	-	780	780	-
Bonds and notes payable	11,162,245	10,400,000	21,562,245	-
Total noncurrent liabilities	11,162,245	10,400,780	21,563,025	-
Total liabilities	11,472,518	10,948,929	22,421,447	214,996
Net assets:				
Invested in capital assets, net of related debt	12,581,631	4,742,666	17,324,297	282,362
Unreserved	3,035,741	2,974,145	6,009,886	374,968
Total net assets	15,617,372	7,716,811	23,334,183	657,330
Total liabilities and net assets	\$ 27,089,890	\$ 18,665,740	\$ 45,755,630	\$ 872,326

City of Fenton
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
Operating revenues:				
Charges for services	\$ 1,794,138	\$ 1,410,117	\$ 3,204,255	\$ 364,024
Other income	32	33,225	33,257	3,427
Total operating revenues	1,794,170	1,443,342	3,237,512	367,451
Operating expenses:				
Wages and benefits	163,876	359,740	523,616	31,176
Office and administrative	-	2,406	2,406	-
Benefit payments	63,662	118,419	182,081	-
Supplies	3,510	102,719	106,229	6,614
Gas and oil	-	-	-	21,093
Heat, power, and lights	10,968	98,521	109,489	41,802
Repairs and maintenance	27,730	16,307	44,037	81,525
Equipment rent	38,270	12,475	50,745	335
Building rent	29,175	31,000	60,175	-
Professional fees	42,814	18,790	61,604	-
Payment to Genesee County for sewage treatment	882,707	-	882,707	-
Depreciation	486,631	188,748	675,379	141,069
GIS/computer	17,107	25,000	42,107	-
Insurance	28,000	34,475	62,475	19,496
Miscellaneous	1,294	21,170	22,464	569
Total operating expenses	1,795,744	1,029,770	2,825,514	343,679
Operating income (loss)	(1,574)	413,572	411,998	23,772
Nonoperating revenues (expenses):				
Interest on investments	50,069	72,222	122,291	5,633
Interest and fiscal charges	(627,607)	(240,722)	(868,329)	-
Gain on sale of fixed assets	-	-	-	11,616
Total nonoperating revenues (expenses)	(577,538)	(168,500)	(746,038)	17,249
Income (loss) before contributions and transfers	(579,112)	245,072	(334,040)	41,021
Capital contributions - tap fees	413,085	154,665	567,750	-
Transfers in	-	-	-	17,628
Change in net assets	(166,027)	399,737	233,710	58,649
Nets assets - beginning of year	15,783,399	7,317,074	23,100,473	598,681
Net assets - end of year	\$ 15,617,372	\$ 7,716,811	\$ 23,334,183	\$ 657,330

See notes to financial statements.

City of Fenton
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Cash flows from operating activities:				
Receipts from quasi-external transactions	\$ 1,807,507	\$ 8,486,416	\$ 10,293,923	\$ 361,457
Payments to suppliers	(1,134,226)	(1,996,706)	(3,130,932)	(186,098)
Payments to employees	(166,031)	(361,466)	(527,497)	(30,225)
Net cash provided by operating activities	507,250	6,128,244	6,635,494	145,134
Cash flows from noncapital financing activities:				
Transfers in	-	-	-	17,628
Net cash provided by noncapital financing activities	-	-	-	17,628
Cash flows from capital and related financing activities:				
Acquisition of fixed assets	(111,830)	(6,844,799)	(6,956,629)	(18,108)
Proceeds from the sale of assets	-	-	-	10,774
Principal payments on bonds and notes	(526,735)	(440,000)	(966,735)	-
Tap-in fees	460,605	165,489	626,094	-
Interest paid	(627,607)	(240,722)	(868,329)	-
Net cash used in capital and related financing activities	(805,567)	(7,360,032)	(8,165,599)	(7,334)
Cash flows from investing activities:				
(Purchase) sale of investments	(570)	992,041	991,471	4,093
Interest earned on operating funds	59,587	84,433	144,020	1,358
Net cash provided by investing activities	59,017	1,076,474	1,135,491	5,451
Net increase (decrease) in cash and cash equivalents	(239,300)	(155,314)	(394,614)	160,879
Cash and cash equivalents - beginning of year	2,861,534	1,545,222	4,406,756	218,606
Cash and cash equivalents - end of year	\$ 2,622,234	\$ 1,389,908	\$ 4,012,142	\$ 379,485
(Includes \$879,949 of restricted cash and cash equivalents for Water Fund)				

(continued)

City of Fenton
Statement of Cash Flows
Proprietary Funds (continued)
Year Ended June 30, 2004

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (1,574)	\$ 413,572	\$ 411,998	\$ 23,772
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	486,631	188,748	675,379	141,069
(Increase) decrease in assets:				
Receivables	(30,535)	50,847	20,312	-
Due from other funds	43,872	-	43,872	(13,083)
Due from other governments	-	6,992,227	6,992,227	-
Due from component units	-	-	-	(29)
Inventory	-	9,112	9,112	-
Prepaid	(129)	(4,980)	(5,109)	-
Increase (decrease) in liabilities:				
Accounts payable	2,349	(1,402,506)	(1,400,157)	(14,664)
Accrued liabilities	(2,155)	(1,726)	(3,881)	16,449
Due to other funds	8,791	(117,050)	(108,259)	(8,380)
Total adjustments	508,824	5,714,672	6,223,496	121,362
Net cash provided by operating activities	\$ 507,250	\$ 6,128,244	\$ 6,635,494	\$ 145,134

See notes to financial statements.

**City of Fenton
Balance Sheet
Fiduciary Funds
June 30, 2004**

Assets

Cash and cash equivalents	\$ 45,858
Investments	<u>1,041</u>
Total assets	<u><u>\$ 46,899</u></u>

Liabilities

Liabilities:

Accounts payable	\$ 10,562
Due to other governments	29,436
Due to employees - union groups	<u>6,901</u>
Total liabilities	<u><u>\$ 46,899</u></u>

See notes to financial statements.

Notes to Financial Statements

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies

A. Reporting entity

The City of Fenton was incorporated January 24, 1964, under the provisions of Act 279, P.A. 1909 as amended. The City operates a council-manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Fenton conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

As required by generally accepted accounting principles, the accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit – The City of Fenton Building Authority is included as part of the City financial statements when the Authority has activity and balances to report in any given year. It is not included for either fiscal year ending June 30, 2004 or 2003. The City appoints the governing authority, designates management and has significant influence over the operations of the Building Authority. The City also has accountability for fiscal matters of the Building Authority. A complete financial statement can be obtained from City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

Discretely Presented Component Units – The component unit columns in the combined financial statements include the financial data of the City's two discretely presented component units. These units are reported in separate columns to emphasize that they are legally separate from the City.

Downtown Development Authority – (Governmental Activity) A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements of the Downtown Development Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

Local Development Finance Authority – (Governmental Activity) A majority of the members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures are approved by the City. The City also has the ability to significantly influence operations of the Local Development Finance Authority. Complete financial statements of the Local Development Finance Authority can be obtained at the City of Fenton, Treasurer's Office, 301 South Leroy Street, Fenton, Michigan 48430.

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies - (continued)

B. Government-wide and fund financial statements

During the year ended June 30, 2004, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction. The State of Michigan has designated these funds as major governmental funds.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are managed by the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage collection, pumping and distribution to the County's treatment plant.

Additionally, the government reports the following fund types:

Internal service funds account for equipment acquisition, usage, and maintenance and also the financing of employee sick pay. These services are provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governments.

Agency funds are reported as fiduciary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary data

Budgets shown in the financial statements were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the third Monday in May, by resolution, the budget is legally enacted on a departmental (activity) basis for all budgetary funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the City Council.

City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2004

1. Summary of significant accounting policies – (continued)

D. Budgetary data – (continued)

5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. The original budget was amended and supplemental appropriations approved during the year, in compliance with the City charter and applicable State laws. The budget to actual expenditures in the financial statements represents the final budgeted expenditures as amended by the City.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

E. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents, and investments

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. During the year ended June 30, 2004, the City adopted Government Accounting Standards Board Statement No. 31, *"Accounting and Reporting for Certain Investments and for External Investment Pools,"* which requires the City to carry its investments at fair value.

2. Inventory

Inventories are valued at cost for governmental funds, and the lower of cost or market in proprietary funds, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure/expense at the time individual inventory items are consumed.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies - (continued)

E. Assets, liabilities, and net assets or equity – (continued)

3. Capital assets – (continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Improvements other than buildings	40-100
Vehicles	3-10
Office equipment	3-5
Machinery and equipment	3-10
Infrastructure	20-50

4. Deferred revenue

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported as deferred revenues, \$29,304 for delinquent property taxes receivable within General Fund, \$4,200 related to the sale of cemetery lots within Special Revenue funds, and \$91,804 for assessment receivables within Capital Project Funds.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Fenton
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies - (continued)

F. Revenues, Expenditures, and Expenses:

1. Accumulated unpaid vacation and sick pay

Sick pay- Substantially all City employees are paid for unused sick days upon termination of employment. Accumulated vested unpaid sick pay at June 30, 2004, is recorded in the financial statements of the City as follows:

GOVERNMENTAL FUND TYPES- As a current year expenditure. The City records an operating transfer from the General Fund to the Sick Pay Internal Service Fund for any unpaid sick pay owing to employees at year end. The entire liability is funded in the year in which it has been incurred.

PROPRIETARY FUND TYPES- Accrued as a liability and expensed as incurred.

2. Accumulated unpaid vacation pay

All employees may carry over from year to year a maximum of one-half of the unused vacation days earned in the current year. Upon involuntary termination of employment, no payment will be made to an employee for any unused accumulated vacation days. However, upon voluntary termination with notice, an employee may receive payment for any unused accumulated vacation days. At June 30, 2004, the unused vacation days are insignificant and, therefore, no liability has been recorded.

G. Comparative data:

Comparative total data for the prior year has not been presented in the accompanying financial statements due to this being the first year of the GASB 34 presentation. Comparative total data will be provided in reports issued in future years.

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$7,035,525 difference are as follows:

Bond payable	\$6,924,595
Capital leases payable	110,930
Compensated absences	<u>-</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$7,035,525</u></u>

City of Fenton
Notes to Financial Statements
June 30, 2004

2. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$815,274 difference are as follows:

Capital outlay	\$1,042,619
Depreciation expense	<u>(227,345)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 815,274</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$420,405 difference are as follows:

Debt issued or incurred	\$ -
Principal repayments:	
General obligation debt	<u>(420,405)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(420,405)</u>

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds

A. Cash and cash equivalents and investments

Reconciliation of the amounts shown on the Combined Balance Sheet versus the risk disclosure footnote is as follows:

At year end, the City's deposits and investments are reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$2,147,607	\$3,132,193	\$ 45,858	\$5,325,658
Investments	826,562	1,760,092	1,041	2,587,695
Cash restricted	1,231	879,949	-	881,180
	<u>\$2,975,400</u>	<u>\$5,772,234</u>	<u>\$ 46,899</u>	<u>\$8,794,533</u>
		Bank deposits		\$7,034,273
		Investments		1,757,784
		Held by County		1,641
		Petty cash		<u>835</u>
				<u>\$8,794,533</u>

Deposit amounts for discretely presented component units are detailed below:

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
Cash and cash equivalents	\$2,151,433	\$1,011,761	\$3,163,194
Investments	9,963	19,339	29,302
	<u>\$2,161,396</u>	<u>\$1,031,100</u>	<u>\$3,192,496</u>

Deposits:

At year-end, the carrying amount of the Primary Government's deposits, excluding petty cash of \$835 and held by County of \$1,641, were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$ 300,000
Uninsured – uncollateralized	6,734,273	6,766,751
	<u>\$7,034,273</u>	<u>\$7,066,751</u>

City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2004

3. Detail notes on all funds – (continued)

A. Cash and cash equivalents and investments – (continued)

Deposits: – (continued)

At year-end, the carrying amount of the component unit's deposits included in the total above were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 223,493	\$ 223,493
Uninsured – uncollateralized	2,939,701	2,954,367
	<u>\$3,163,194</u>	<u>\$3,177,860</u>

Investments:

State statutes authorizes the City to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The City Council has adopted the above as its investment policy and has authorized the following depositories: The State Bank, Bank One, Republic Bank, and Citizens Bank.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Risk Category 1 includes those investments that are insured registered or held by the City or the City's agent in the City's name. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the City's name.

The City's investments that are held by the Municipal Investors Service Corporation's CLASS of Michigan investment pool accounts are not categorized as to risk because they are not evidenced by securities that exist in physical or book entry form. The investments are registered with the Securities and Exchange Commission. The fair value position of the external investment pool is the same as the value of the pool shares.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Uncategorized to risk:		
Primary government investments held by:		
CLASS of Michigan	\$1,757,784	\$1,757,784
Component unit investments held by:		
CLASS of Michigan	29,302	29,302
Total investments	<u>\$1,787,086</u>	<u>\$1,787,086</u>

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds – (continued)

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$176,082	\$ -	\$ -	\$ -	\$176,082
Accounts	140,090	-	-	88,439	228,529
Special assessments	16,303	-	-	91,804	108,107
Interest	674	-	-	-	674
Intergovernmental	296,613	16,000	-	6,519	319,132
Gross and net receivables	<u>\$629,762</u>	<u>\$ 16,000</u>	<u>\$ -0-</u>	<u>\$186,762</u>	<u>\$832,524</u>

No allowance was deemed necessary for the outstanding receivables.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$108,107	\$ -
Personal property taxes	14,001	-
Cemetery lot deposits	-	4,200

Business Type Activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts – all types	\$407,503	\$643,165	\$1,050,668
Interest	1,007	-	1,007
Gross and net receivable	<u>\$408,510</u>	<u>\$643,165</u>	<u>\$1,051,675</u>

No allowance for uncollectible was deemed necessary.

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds - (continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2004 was as follows:

<i>Primary Government</i>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress - infrastructure	\$ 641,151	\$ 559,273	\$ -	\$ 1,200,424
Total capital assets, not being depreciated	641,151	559,273	-	1,200,424
Capital assets, being depreciated:				
Buildings	7,523,863	433,351	(1,950,043)	6,007,171
Improvements other than buildings	424,989	121,541	-	546,530
Machinery, vehicles, and equipment	3,531,680	18,107	(907,112)	2,642,675
Total capital assets being depreciated	11,480,532	572,999	(2,857,155)	9,196,376
Less accumulated depreciation for:				
Buildings	836,241	71,997	-	908,238
Improvements other than buildings	228,434	25,047	-	253,481
Machinery, vehicles, and equipment	1,801,320	271,370	(296,542)	1,776,148
Total accumulated depreciation	2,865,995	368,414	(296,542)	2,937,867
Total capital assets, being depreciated, net	8,614,537	204,585	(2,560,613)	6,258,509
Governmental activities capital assets, net	\$ 9,255,688	\$ 763,858	\$(2,560,613)	\$ 7,458,933
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 190,930	\$ -	\$ -	\$ 190,930
Construction in progress	3,852,572	1,334,472	(1,901,478)	3,285,566
Total capital assets, not being depreciated	4,043,502	1,334,472	(1,901,478)	3,476,496
Capital assets, being depreciated:				
Building improvements	650,978	7,842,675	(525,444)	7,968,209
Improvements other than buildings	32,879,827	186,362	(3,338)	33,062,851
Machinery and equipment	701,473	22,753	(60,574)	663,652
Total capital assets, being depreciated	34,232,278	8,051,790	(589,356)	41,694,712
Less accumulated depreciation for:				
Building improvements	14,439	2,841	-	17,280
Improvements other than buildings	5,228,723	607,627	(2,835)	5,833,515
Machinery and equipment	427,324	64,911	(58,364)	433,871
Total accumulated depreciation	5,670,486	675,379	(61,199)	6,284,666
Total capital assets, being depreciated, net	28,561,792	7,376,411	(528,157)	35,410,046
Business-type activities capital assets, net	\$32,605,294	\$8,710,883	\$(2,429,635)	\$38,886,542

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds – (continued)

C. Capital assets – (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 83,548
Public service	127,052
Public safety	141,069
Public works	16,745
Parks and recreation	

Total depreciation expense – governmental activities	<u>\$368,414</u>
--	------------------

Business-type activities:

Water	\$188,748
Sewer	<u>486,631</u>

Total depreciation expense – business-type activities	<u>\$675,379</u>
---	------------------

Component units:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
DDA activities:				
Capital assets, not being depreciated:				
Land	\$295,000	\$ -	\$ -	\$295,000
DDA activities capital assets	<u>\$295,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$295,000</u>

Construction commitments:

Construction in progress represents engineering costs on infrastructure for streets and bridges.

D. Defined benefit pension plan

Plan description:

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds – (continued)

D. Defined benefit pension plan – (continued)

Funding policy:

The City is required to contribute at an actuarially determined rate; the current rate ranges from 6.16% of annual covered payroll for the DPW employee group to 10.84% for the Police Dispatch Group. Employees are required to contribute 0% - 1% to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual pension cost:

For the year ended June 30, 2004, the City's annual pension cost of \$212,484 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year for merit and longevity, and an asset valuation method that smoothes fair value of assets over 5 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$223,121	100%	\$ -
6/30/03	207,435	100	-
6/30/04	212,484	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Funded (Unfunded) (AAL) (UAAL) (b-a)</u>	<u>Funded Ration (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
12/31/01	\$5,913,679	\$6,804,367	\$ (890,688)	86.9%	\$2,214,392	(40.2)%
12/31/02	6,009,998	7,152,276	(1,142,278)	84.0	2,336,179	(49.0)
12/31/03	6,341,437	7,922,005	(1,580,568)	80.0	2,518,863	(62.7)

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds - (continued)

E. Other post employment benefits

In addition to the pension benefits described in Note 3.D, the City provides post retirement health care benefits in accordance with the provision of union contracts for covered employees who retire on or after age 55 with at least 10 years of service and for all other employees, in accordance with a City resolution to all employees who retire on or after age 62 with at least 10 years of service. Currently 25 retirees meet the eligibility requirements. The City pays 100% of the health insurance premiums for these retirees. Expenditures for the premiums are paid and recognized as they become due. During the year, expenditures of \$219,384 were recognized for retiree health insurance premiums.

F. Long-term debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 7,345,000	\$ -	\$(385,000)	\$ 6,960,000	\$ 390,000
Note payable	110,930	-	(35,405)	75,525	36,954
Severance pay	2,200	-	(2,200)	-	-
Governmental activity long-term liabilities	<u>\$ 7,458,130</u>	<u>\$ -0-</u>	<u>\$(422,605)</u>	<u>\$ 7,035,525</u>	<u>\$ 426,954</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$11,639,255	\$ -	\$(477,010)	\$11,162,245	\$ 598,196
Revenue bonds	10,840,000	-	(440,000)	10,400,000	450,000
Note payable	49,725	-	(49,725)	-	-
Business-type activity long-term liabilities	<u>\$22,528,980</u>	<u>\$ -0-</u>	<u>\$(966,735)</u>	<u>\$21,562,245</u>	<u>\$1,048,196</u>

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds – (continued)

F. Long-term debt – (continued)

Significant details regarding the types of debt are presented as follows:

General obligation debt:

<u>Bonds and Notes Payable</u>	<u>Fund Servicing Debt</u>	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Annual Principal Payment Varies Between</u>	<u>Outstanding Balance June 30, 2004</u>
Government activities:					
1991 Local Development Bonds	Capital Projects	July 1, 2011	6.375-8.375%	\$100,000-150,000	\$ 875,000
1994 Downtown Development Bonds	Capital Projects	May 1, 2009	5.150-6.850	60,000-75,000	340,000
2002 General Obligation Limited Tax Development Bonds	Capital Projects	April 1, 2021	4.2-4.5	235,000-465,000	5,745,000
Note payable:					
Pierce Dash Pumper Fire Truck	Capital Projects	April 1, 2006	4.37	36,954-38,571	<u>75,525</u>
Total governmental activity long-term liabilities					<u>7,035,525</u>
Business-type activities:					
Sewer Fund:					
Contracts with Genesee County:					
Sewage Disposal System #3 Bonds	Sewer Fund	April 1, 2016	5.2-7.0	500,555-737,660	7,824,465
Sewage Disposal System #3 Series 1998 Bonds	Sewer Fund	March 1, 2019	4.859-5.000	97,641-470,219	3,337,780
Water Fund:					
Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds	Water Fund	April 1, 2019	2.5	65,000-95,000	1,175,000
Michigan Municipal Bond Authority-Michigan Drinking Water Revolving Fund Bonds	Water Fund	April 1, 2023	2.5	385,000-600,000	<u>9,225,000</u>
					<u>21,562,245</u>
Total General Obligation Debt					<u>\$28,597,770</u>

City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2004

3. Detail notes on all funds – (continued)

F. Long-term debt – (continued)

General obligation debt: - (continued)

Debt service requirements:

<u>Year Ended</u>	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-05	\$ 764,346	\$ 431,954	\$ 332,392
6-30-06	759,230	448,571	310,659
6-30-07	707,832	420,000	287,832
6-30-08	705,974	440,000	265,974
6-30-09	712,992	470,000	242,992
Thereafter	6,271,961	4,825,000	1,446,961
	<u>\$9,922,335</u>	<u>\$7,035,525</u>	<u>\$2,886,810</u>

<u>Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
6-30-05	\$ 1,899,529	\$ 1,048,196	\$ 851,333
6-30-06	1,897,269	1,096,739	800,530
6-30-07	1,899,101	1,142,572	756,529
6-30-09	1,899,018	1,188,576	710,442
6-30-09	1,899,053	1,238,094	660,959
Thereafter	19,430,650	15,848,068	3,582,582
	<u>\$28,924,620</u>	<u>\$21,562,245</u>	<u>\$7,362,375</u>

The City of Fenton was a participant in the county-wide sanitary sewer construction program under Act 342 Michigan Compiled Laws. This program was financed by general obligation bonds issued by Genesee County. The City of Fenton has contracts with Genesee County Water and Waste Services for the cost of the construction of the sewer system within its boundaries. The City of Fenton has pledged the full faith and credit of the City to the prompt payment of the City's share of the principal and interest payments on these contracts as they become due. From information received from Genesee County, the assets relating to those contracts have been recorded in the Sewer Fund of the City to reflect the actual construction cost of the above mentioned systems. The contract principal portion owed by the City of Fenton has been recorded in the Sewer Fund. The Water Revolving Fund Bonds are supported by the revenues of the Water System.

The City of Fenton obtained a loan through The State Bank for the purchase of a fire truck. The fire truck is being purchased with the Capital Project Fund. The City's limited tax full faith, credit and resources are pledged for payment of the obligation.

City of Fenton, Michigan
Notes to Financial Statements
Year Ended June 30, 2004

3. Detail notes on all funds – (continued)

F. Long-term debt – (continued)

The Local Development Financing Authority of the City of Fenton in 1991 issued tax increment bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$1,525,000. The City's limited tax full faith, credit and resources, in addition to the tax increment revenues primarily pledged, shall be pledged secondarily as a first budget obligation for the prompt payment of the principal and interest on the bonds as the same become due. The related principal portion of the long-term bonds is included in the City of Fenton.

The Downtown Development Authority of the City of Fenton in 1994 issued tax increment bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$690,000. In 2002, the Downtown Development Authority of the City of Fenton issued general obligation tax development bonds supported by the limited tax full faith and credit pledge of the City of Fenton in the amount of \$9,600,000. The City's limited tax full faith, credit and resources, in addition to the tax increment revenues primarily pledged, shall be pledged secondarily as a first budget obligation for the prompt payment of the principal and interest on the bonds as the same become due. The related principal portion of the long-term bonds is included in the City of Fenton.

Interest is payable on all obligations semi-annually, except for the note payable on the fire truck and vactor truck, which is annually. Principal is paid on an annual basis.

Act 279, Public Acts of State 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the City. As of June 30, 2004, the City of Fenton has incurred \$6,960,000 of indebtedness under Act 279 and \$41,257,340 of additional debt may be incurred. The City's other existing general long-term obligations and special assessment bonds are specifically exempted from consideration of the 10% limit computation.

G. Risk management

The City of Fenton is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The City participates in the Michigan Municipal League self insurance pool for general liability, property loss, professional, public officials errors and omissions liabilities. In addition, the City participates in a separate pool which provides coverage for workers' compensation claims. The City is on the reimbursement method of payment for unemployment compensation claims. The City is uninsured for acts of God and environmental cleanup losses. Settled claims for insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City is exposed to various risks of losses related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City of Fenton has property and liability insurance with the Michigan Municipal League (MML). The City also has an agreement for workers compensation insurance through the Michigan Municipal League Workers Compensation Fund. The City pays annual premiums to MML for general and workers compensation insurance coverage. Claims payable in the Insurance Internal Service Fund represent the deductible on various liability claims against the City.

The City carries commercial insurance for other risks such as health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

City of Fenton
Notes to Financial Statements
June 30, 2004

3. Detail notes on all funds – (continued)

H. Revenues and expenditures:

Property taxes

Property taxes are levied based on assessed values of property located in the City. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2003 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$444,706,000	\$332,504,010
Personal property	37,467,400	37,467,400
Total	<u>\$482,173,400</u>	<u>\$369,971,410</u>

The City is permitted by charter to levy up to \$13.00 (13 mills) per \$1,000 of taxable value per the City Charter. It is also permitted to levy unlimited amounts for repayment of existing general long term debt obligations, except for Michigan Transportation Fund Act 51 Debt. The Act 51 debt is backed by future Act 51 funds and other General Funds of the City. For the year ended June 30, 2004, \$10.87 per \$1,000 were levied for general governmental services.

I. Interfund receivables and payables:

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development	\$ 6,519
	Sewer	7,106
	Water	7,106
Major Street	Water	350
Equipment	Sewer	5,891
	Water	5,892
Sick pay	Sewer	920
	Water	6,169
Total		<u>\$ 39,953</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government sick pay	Component Unit DDA	<u>\$ 29</u>

City of Fenton
Notes to Financial Statements
June 30, 2004

4. Summary disclosure of significant contingencies and commitments

Contingent liabilities:

Federal and state grants

Under the terms of certain federal and state grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would be minimal.

5. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended June 30, 2004 is as follows:

Construction permit revenue	\$ 76,311
Expenditures:	
Professional services	<u>202,767</u>
Revenue over (under) expenditures	<u><u>\$(126,456)</u></u>

6. Federal awards

It is required by the Michigan Department of Transportation (MDOT) that governmental units report total federal awards for Highway Research, Planning and Construction pertaining to their unit. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act. The reason for this requirement is that the City is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended June 30, 2004, the City of Fenton did have \$500,000 in total federal awards. As a result, an audit for compliance under the Single Audit Act has been performed.

7. Budget compliance

The following funds incurred expenditures in excess of final budget amounts:

	<u>Actual over Budget</u>
General Fund - Public safety - Police	\$ 7,638
Transfers out	12,628
Major Streets - Highways and streets	31,411
Local Streets - Highways and streets	66,533

**Required Supplementary
Information Section**

City of Fenton
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Under (Over)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,495,560	\$ 3,526,600	\$ 3,471,199	\$ (55,401)
Licenses and permits	238,000	213,000	199,950	(13,050)
Intergovernmental revenue:				
State	981,367	918,350	911,537	(6,813)
Charges for services	193,550	214,850	241,250	26,400
Fines and forfeits	48,000	52,000	87,889	35,889
Interest	30,000	30,000	45,466	15,466
Refunds and reimbursements	1,000	1,000	653	(347)
Miscellaneous revenue	100,400	94,760	104,209	9,449
Total revenues	5,087,877	5,050,560	5,062,153	11,593
Expenditures:				
Current:				
Legislative and executive	175,520	197,350	168,023	29,327
General governmental:				
General services administration	1,341,850	1,191,780	1,110,618	81,162
Public safety:				
Police	1,709,580	1,739,660	1,747,298	(7,638)
Fire	599,250	588,150	530,948	57,202
Protective inspection	234,245	208,400	202,767	5,633
Total public safety	2,543,075	2,536,210	2,481,013	55,197
Public works:				
Public service	257,280	250,100	192,126	57,974
Community service	132,700	140,200	135,106	5,094
Capital outlay	49,995	49,995	49,995	-
Total expenditures	4,500,420	4,365,635	4,136,881	228,754
Revenues over expenditures	587,457	684,925	925,272	240,347
Other financing sources (uses):				
Transfers in	25,000	25,000	25,000	-
Transfers out	(882,000)	(882,000)	(894,628)	(12,628)
Total other financing uses	(857,000)	(857,000)	(869,628)	(12,628)
Net change in fund balance	(269,543)	(172,075)	55,644	227,719
Fund balance - beginning of year	1,137,215	1,137,215	1,137,215	-
Fund balance - end of year	\$ 867,672	\$ 965,140	\$ 1,192,859	\$ 227,719

Note: Budgetary basis is the same as generally accepted accounting principles.

City of Fenton
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Major Streets
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Under (Over)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue:				
State	\$ 495,400	\$ 495,400	\$ 511,726	\$ 16,326
Interest	1,700	1,000	2,763	1,763
Miscellaneous revenue	-	7,747	7,747	-
Total revenues	497,100	504,147	522,236	18,089
Expenditures:				
Current:				
Public works:				
Highways and streets	637,350	469,825	501,236	(31,411)
Total expenditures	637,350	469,825	501,236	(31,411)
Revenues over (under) expenditures	(140,250)	34,322	21,000	(13,322)
Other financing sources (uses):				
Transfers in	195,000	102,000	110,023	8,023
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources	95,000	2,000	10,023	8,023
Net change in fund balances	(45,250)	36,322	31,023	(5,299)
Fund balances - beginning of year	76,199	76,199	76,199	-
Fund balances - end of year	\$ 30,949	\$ 112,521	\$ 107,222	\$ (5,299)

Note: Budgetary basis is the same as generally accepted accounting principles.

City of Fenton
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Local Streets
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Under (Over)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue:				
State	\$ 177,340	\$ 202,340	\$ 220,556	\$ 18,216
Interest	1,000	1,000	1,026	26
Total revenues	178,340	203,340	221,582	18,242
Expenditures:				
Current:				
Public works:				
Highways and streets	521,593	552,018	618,551	(66,533)
Total expenditures	521,593	552,018	618,551	(66,533)
Revenues under expenditures	(343,253)	(348,678)	(396,969)	(48,291)
Other financing sources:				
Transfers in	350,000	375,000	395,000	20,000
Total other financing sources	350,000	375,000	395,000	20,000
Net change in fund balances	6,747	26,322	(1,969)	(28,291)
Fund balances - beginning of year	3,361	3,361	3,361	-
Fund balances - end of year	\$ 10,108	\$ 29,683	\$ 1,392	\$ (28,291)

Note: Budgetary basis is the same as generally accepted accounting principles.

**Combining Fund and Individual
Financial Statements**

Nonmajor Governmental Funds

**City of Fenton
Combining Balance Sheet
Nonmajor Funds
June 30, 2004**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
Assets				
Cash and cash equivalents	\$ 510,890	\$ -	\$ 607,729	\$ 1,118,619
Accounts receivable	88,439	-	-	88,439
Special assessment receivables	-	-	91,804	91,804
Due from other funds	6,519	-	-	6,519
Due from other governments	3,550	-	-	3,550
Prepaid items	983	-	-	983
Restricted assets:				
Cash and cash equivalents held by County	-	1,231	-	1,231
Total assets	\$ 610,381	\$ 1,231	\$ 699,533	\$ 1,311,145
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,715	\$ -	\$ -	\$ 8,715
Accrued liabilities	2,872	-	-	2,872
Deposits payable	3,564	-	-	3,564
Due to other funds	6,519	-	-	6,519
Deferred revenue	4,200	-	91,804	96,004
Total liabilities	25,870	-	91,804	117,674
Fund balances:				
Reserved for prepaid	983	-	-	983
Reserved for debt service	-	1,231	-	1,231
Reserved for future capital improvements	-	-	607,729	607,729
Reserved for budget stabilization	299,524	-	-	299,524
Reserved for parks and recreation	29,968	-	-	29,968
Reserved for cemetery	163,882	-	-	163,882
Reserved for garbage collection	50,249	-	-	50,249
Reserved for drug awareness and enforcement	39,905	-	-	39,905
Total fund balances	584,511	1,231	607,729	1,193,471
Total liabilities and fund balances	\$ 610,381	\$ 1,231	\$ 699,533	\$ 1,311,145

City of Fenton
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Funds
Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
Revenues:				
Special assessments	\$ -	\$ -	\$ 21,592	\$ 21,592
Charges for services	649,204	-	-	649,204
Interest	3,787	-	4,938	8,725
Miscellaneous revenue	7,563	-	-	7,563
Total revenues	660,554	-	26,530	687,084
Expenditures:				
Current:				
Public safety	205,826	-	-	205,826
Public works:				
Garbage collection	459,611	-	-	459,611
Recreation and cultural	196,359	-	-	196,359
Cemetery	51,607	-	-	51,607
Capital outlay	-	-	650,114	650,114
Debt service:				
Principal payments	-	385,000	35,405	420,405
Interest and fiscal charges	-	349,651	4,853	354,504
Total expenditures	913,403	734,651	690,372	2,338,426
Revenues under expenditures	(252,849)	(734,651)	(663,842)	(1,651,342)
Other financing sources (uses):				
Transfers in	209,120	-	1,250,114	1,459,234
Transfers out	(2,120)	734,651	(360,023)	372,508
Total other financing sources	207,000	734,651	890,091	1,831,742
Net change in fund balances	(45,849)	-	226,249	180,400
Fund balances - beginning of year	630,360	1,231	381,480	1,013,071
Fund balances - end of year	\$ 584,511	\$ 1,231	\$ 607,729	\$ 1,193,471

Nonmajor Governmental Funds

Special Revenue Funds

Budget Stabilization Fund – To account for those funds appropriated by the governing body of the municipality for budget stabilization purposes. Money in the budget stabilization fund may be appropriated by an ordinance or resolution for the following purposes: 1) to cover a general fund deficit; 2) to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; 3) to prevent a reduction in the level of public services or in the number of employees when, in preparing the budget for the next fiscal year, the estimated revenue does not appear sufficient to cover estimated expenses; and 4) to cover expenses arising because of a natural disaster.

Parks and Recreation – To account for the activity related to the operation of the City's parks and recreation programs which are funded through user charges and donations.

Cemetery Fund – To account for the operation of the City's cemetery which is financed primarily through charges for services.

Community Development Fund – To account for revenues earned and expenditures incurred by the City as a sub-grantee of the Community Development Block Grant Program. The program includes projects for street paving, sidewalk construction, waterline improvements, and other community services.

Emergency 911 Fund – To account for the monthly telephone surcharges assessed for emergency services that are received from Genesee County which are used to cover the costs related to the operation of the City's 911 system.

Garbage Collection Fund – To account for quarterly customer charges which are to be used to pay contracted services for garbage collection.

Narcotics Enforcement Fund – To account for confiscated funds which are used by the Police Department to enhance local narcotics enforcement.

D.A.R.E. Fund – To account for the activity of the Drug Abuse Resistance Education Program. The City Police Department has set up the program to provide drug education to local elementary school students.

Debt Service Funds

Sewer Debt Service – To account for the servicing of the Sewer Debt Series I and II Bonds, the Sewer Treatment Plant Improvement Bonds, and the 1978 Sewer Debt Series Bonds.

1991 Local Development Bonds – To account for the servicing of the 1991 Local Development Financing Authority Bonds.

1994 Downtown Development Bonds – To account for the servicing of the 1994 Downtown Development Authority Bonds.

2002 General Obligation Limited Tax Development Bonds – To account for the servicing of the 2002 General Obligation Limited Tax Development Bonds.

Capital Project Funds

Fire Equipment Fund – To account for revenues earmarked for the purchase of fire equipment.

Capital Improvement Projects (C.I.P.) Fund – To account for contributions from the General Fund equaling 1.5 mills of the City's total tax levy. These funds are primarily used for Major and Local Street Fund capital improvement projects and storm drain construction.

Working Capital Fund – To account for financial resources to be used for the acquisition or construction of major capital projects.

Construction Fund – To account for financial resources to be used for the acquisition or construction of major capital projects.

2002 General Obligation Limited Tax Development Bonds – To account for the bond proceeds from the issuance of the 2002 General Obligation Tax Development Bonds.

City of Fenton
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Budget Stabilization	Parks and Recreation	Cemetery
Assets			
Cash and cash equivalents	\$ 299,524	\$ 44,582	\$ 165,435
Accounts receivable	-	-	3,050
Due from other funds	-	-	-
Due from other governments	-	-	-
Prepaid items	-	983	-
Total assets	\$ 299,524	\$ 45,565	\$ 168,485
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 8,519	\$ 62
Accrued liabilities	-	2,872	-
Deposits payable	-	3,223	341
Due to other funds	-	-	-
Deferred revenue	-	-	4,200
Total liabilities	-	14,614	4,603
Fund balances:			
Reserved for prepaid items	-	983	-
Reserved for budget stabilization	299,524	-	-
Reserved for parks and recreation	-	29,968	-
Reserved for cemetery	-	-	163,882
Reserved for garbage collection	-	-	-
Reserved for drug awareness and enforcement	-	-	-
Total fund balances	299,524	30,951	163,882
Total liabilities and fund balances	\$ 299,524	\$ 45,565	\$ 168,485

Community Development	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ -	\$ -	\$ (38,690)	\$ 15,572	\$ 24,467	\$ 510,890
-	-	85,389	-	-	88,439
6,519	-	-	-	-	6,519
-	-	3,550	-	-	3,550
-	-	-	-	-	983
<hr/>					
\$ 6,519	\$ - 0 -	\$ 50,249	\$ 15,572	\$ 24,467	\$ 610,381
<hr/>					
\$ -	\$ -	\$ -	\$ 86	\$ 48	\$ 8,715
-	-	-	-	-	2,872
-	-	-	-	-	3,564
6,519	-	-	-	-	6,519
-	-	-	-	-	4,200
<hr/>					
6,519	-	-	86	48	25,870
<hr/>					
-	-	-	-	-	983
-	-	-	-	-	299,524
-	-	-	-	-	29,968
-	-	-	-	-	163,882
-	-	50,249	-	-	50,249
-	-	-	15,486	24,419	39,905
<hr/>					
-	-	50,249	15,486	24,419	584,511
<hr/>					
\$ 6,519	\$ - 0 -	\$ 50,249	\$ 15,572	\$ 24,467	\$ 610,381
<hr/>					

City of Fenton
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

	Budget Stabilization	Parks and Recreation	Cemetery
Revenues:			
Charges for services	\$ -	\$ 23,448	\$ 32,057
Interest	-	947	2,085
Miscellaneous revenue	-	3,525	696
Total revenues	-	27,920	34,838
Expenditures:			
Current:			
Public safety	-	-	-
Public works:			
Garbage collection	-	-	-
Recreation and cultural	-	196,359	-
Cemetery	-	-	51,607
Total expenditures	-	196,359	51,607
Revenues over (under) expenditures	-	(168,439)	(16,769)
Other financing sources (uses):			
Transfers in	-	172,000	37,120
Transfers out	-	-	(2,120)
Total other financing sources	-	172,000	35,000
Net change in fund balances	-	3,561	18,231
Fund balances - beginning of year	299,524	27,390	145,651
Fund balances - end of year	\$ 299,524	\$ 30,951	\$ 163,882

Community Development	Emergency 911	Garbage Collection	Narcotics Enforcement	D.A.R.E.	Total
\$ -	\$ 203,821	\$ 389,878	\$ -	\$ -	\$ 649,204
-	-	176	204	375	3,787
-	-	-	2,483	859	7,563
-	203,821	390,054	2,687	1,234	660,554
-	203,821	-	280	1,725	205,826
-	-	459,611	-	-	459,611
-	-	-	-	-	196,359
-	-	-	-	-	51,607
-	203,821	459,611	280	1,725	913,403
-	-	(69,557)	2,407	(491)	(252,849)
-	-	-	-	-	209,120
-	-	-	-	-	(2,120)
-	-	-	-	-	207,000
-	-	(69,557)	2,407	(491)	(45,849)
-	-	119,806	13,079	24,910	630,360
\$ - 0 -	\$ - 0 -	\$ 50,249	\$ 15,486	\$ 24,419	\$ 584,511

City of Fenton
Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

	Budget Stabilization			
	Budgeted Amounts		Actual	Variance- Under (Over)
	Original	Final		
Revenues:				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous revenue	-	-	-	-
	<hr/>			
Total revenues	-	-	-	-
	<hr/>			
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
	<hr/>			
Total expenditures	-	-	-	-
	<hr/>			
Revenues over (under) expenditures	-	-	-	-
	<hr/>			
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>			
Total other financing sources	-	-	-	-
	<hr/>			
Net change in fund balances	-	-	-	-
	<hr/>			
Fund balances - beginning of year	299,524	299,524	299,524	-
	<hr/>			
Fund balances - end of year	\$ 299,524	\$ 299,524	\$ 299,524	\$ - 0 -

Parks and Recreation				Cemetery			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,000	25,000	23,448	(1,552)	30,900	31,155	32,057	902
600	600	947	347	100	200	2,085	1,885
1,400	2,275	3,525	1,250	-	-	696	696
31,000	27,875	27,920	45	31,000	31,355	34,838	3,483
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
190,245	191,465	196,359	(4,894)	-	-	-	-
-	-	-	-	55,490	55,490	51,607	3,883
190,245	191,465	196,359	(4,894)	55,490	55,490	51,607	3,883
(159,245)	(163,590)	(168,439)	(4,849)	(24,490)	(24,135)	(16,769)	7,366
172,000	172,000	172,000	-	30,000	35,000	37,120	2,120
-	-	-	-	(3,600)	(2,060)	(2,120)	(60)
172,000	172,000	172,000	-	26,400	32,940	35,000	2,060
12,755	8,410	3,561	(4,849)	1,910	8,805	18,231	9,426
27,390	27,390	27,390	-	145,651	145,651	145,651	-
\$ 40,145	\$ 35,800	\$ 30,951	\$ (4,849)	\$ 147,561	\$ 154,456	\$ 163,882	\$ 9,426

(continued)

City of Fenton
Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

Community Block Grant Fund				
	Budgeted Amounts		Actual	Variance- Under (Over)
	Original	Final		
Revenues:				
Intergovernmental revenue:				
Federal	\$ 30,000	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenues	30,000	-	-	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	10,000	-	-	-
Cemetery	-	-	-	-
Total expenditures	10,000	-	-	-
Revenues over (under) expenditures	20,000	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	20,000	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ 20,000	\$ - 0 -	\$ - 0 -	\$ - 0 -

Emergency 911				Garbage Collection Fund			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
203,000	203,000	203,821	821	416,000	380,000	389,878	9,878
-	-	-	-	500	500	176	(324)
-	-	-	-	-	-	-	-
203,000	203,000	203,821	821	416,500	380,500	390,054	9,554
203,000	203,000	203,821	(821)	-	-	-	-
-	-	-	-	456,950	456,350	459,611	(3,261)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
203,000	203,000	203,821	(821)	456,950	456,350	459,611	(3,261)
-	-	-	-	(40,450)	(75,850)	(69,557)	6,293
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(40,450)	(75,850)	(69,557)	6,293
-	-	-	-	119,806	119,806	119,806	-
\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 79,356	\$ 43,956	\$ 50,249	\$ 6,293

(continued)

City of Fenton
Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

Narcotics Enforcement				
	Budgeted Amounts		Actual	Variance- Under (Over)
	Original	Final		
Revenues:				
Intergovernmental revenue:				
Federal	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	200	200	204	4
Miscellaneous revenue	-	-	2,483	2,483
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	200	200	2,687	2,487
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Public safety	-	1,500	280	1,220
Public works:				
Garbage collection	-	-	-	-
Recreation and cultural	-	-	-	-
Cemetery	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	1,500	280	1,220
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	200	(1,300)	2,407	3,707
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	200	(1,300)	2,407	3,707
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	13,079	13,079	13,079	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 13,279	\$ 11,779	\$ 15,486	\$ 3,707
	<hr/>	<hr/>	<hr/>	<hr/>

D.A.R.E.				T o t a l s			
Budgeted Amounts		Actual	Variance- Under (Over)	Budgeted Amounts		Actual	Variance- Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -
-	-	-	-	678,900	639,155	649,204	10,049
350	350	375	25	1,750	1,850	3,787	1,937
3,000	1,200	859	(341)	4,400	3,475	7,563	4,088
3,350	1,550	1,234	(316)	715,050	644,480	660,554	16,074
7,000	7,000	1,725	5,275	210,000	211,500	205,826	5,674
-	-	-	-	456,950	456,350	459,611	(3,261)
-	-	-	-	200,245	191,465	196,359	(4,894)
-	-	-	-	55,490	55,490	51,607	3,883
7,000	7,000	1,725	5,275	922,685	914,805	913,403	1,402
(3,650)	(5,450)	(491)	4,959	(207,635)	(270,325)	(252,849)	17,476
-	-	-	-	202,000	207,000	209,120	2,120
-	-	-	-	(3,600)	(2,060)	(2,120)	(60)
-	-	-	-	198,400	204,940	207,000	2,060
(3,650)	(5,450)	(491)	4,959	(9,235)	(65,385)	(45,849)	19,536
24,910	24,910	24,910	-	630,360	630,360	630,360	-
\$ 21,260	\$ 19,460	\$ 24,419	\$ 4,959	\$ 621,125	\$ 564,975	\$ 584,511	\$ 19,536

**City of Fenton
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2004**

	Sewer Debt Service	1991 Local Development Bonds	1994 Downtown Development Bonds
Assets			
Restricted assets:			
Cash and cash equivalents held by County	\$ 1,231	\$ -	\$ -
Total assets	<u>\$ 1,231</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
 Fund Balances			
Fund balances:			
Reserved for debt service	\$ 1,231	\$ -	\$ -
Total fund balances	<u>\$ 1,231</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

2002
General
Obligation
Limited Tax
Development
Bonds

Total

\$	-	\$ 1,231
----	---	----------

\$	- 0 -	\$ 1,231
----	-------	----------

\$	-	\$ 1,231
----	---	----------

\$	- 0 -	\$ 1,231
----	-------	----------

City of Fenton
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2004

	Sewer Debt Service	1991 Local Development Bonds	1994 Downtown Development Bonds
Revenues:			
Interest	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Debt service:			
Principal payments	-	95,000	55,000
Interest and fiscal charges	-	62,288	26,138
Total expenditures	-	157,288	81,138
Revenues under expenditures	-	(157,288)	(81,138)
Transfers in	-	157,288	81,138
Net change in fund balance	-	-	-
Fund balance - beginning of year	1,231	-	-
Fund balance - end of year	\$ 1,231	\$ - 0 -	\$ - 0 -

2002 General Obligation Limited Tax Development Bonds		Total
\$	-	\$ -
	-	-
235,000		385,000
261,225		349,651
496,225		734,651
(496,225)		(734,651)
496,225		734,651
-		-
-		1,231
\$ - 0 -		\$ 1,231

**City of Fenton
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2004**

	Fire Equipment	C.I.P. Fund	Working Capital Fund
Assets			
Cash and cash equivalents	\$ 377,435	\$ 137,348	\$ 92,946
Special assessments receivable:			
Current	-	-	12,700
Long-term	-	-	79,104
Total assets	\$ 377,435	\$ 137,348	\$ 184,750
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue	\$ -	\$ -	\$ 91,804
Total liabilities	-	-	91,804
Fund balances:			
Reserved for future capital improvements	377,435	137,348	92,946
Total liabilities and fund balances	\$ 377,435	\$ 137,348	\$ 184,750

		2002 General Obligation Limited Tax Development Bonds		Total
Construction Fund				
\$	-	\$	-	\$ 607,729
	-		-	12,700
	-		-	79,104
<hr/>				
\$	- 0 -	\$	- 0 -	\$ 699,533
<hr/>				

\$	-	\$	-	\$ 91,804
<hr/>				
	-		-	91,804
<hr/>				

	-		-	607,729
<hr/>				
\$	- 0 -	\$	- 0 -	\$ 699,533
<hr/>				

City of Fenton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2004

	Fire Equipment	C.I.P. Fund	Working Capital Fund
Revenues:			
Special assessments	\$ -	\$ -	\$ 21,592
Interest	3,788	1,150	-
Total revenues	3,788	1,150	21,592
Expenditures:			
Capital outlay	-	-	-
Debt service:			
Principal retirement	35,405	-	-
Interest and fiscal charges	4,853	-	-
Total expenditures	40,258	-	-
Revenues over (under) expenditures	(36,470)	1,150	21,592
Other financing sources (uses)			
Transfers in	140,000	460,000	-
Transfers out	-	(335,023)	(25,000)
Total other financing sources (uses)	140,000	124,977	(25,000)
Net change in fund balances	103,530	126,127	(3,408)
Fund balances - beginning of year	273,905	11,221	96,354
Fund balances - end of year	\$ 377,435	\$ 137,348	\$ 92,946

2002 General Obligation Limited Tax Development Bonds			Total
Construction Fund			
\$ -	\$ -	\$	21,592
-	-		4,938
-	-		26,530
230,846	419,268		650,114
-	-		35,405
-	-		4,853
230,846	419,268		690,372
(230,846)	(419,268)		(663,842)
230,846	419,268		1,250,114
-	-		(360,023)
230,846	419,268		890,091
-	-		226,249
-	-		381,480
\$ - 0 -	\$ - 0 -	\$	607,729

Internal Service Funds

Equipment Fund - To account for the costs of operating and maintaining certain automotive and street maintenance equipment used by other City departments. Such costs are billed to the other departments based on rental rates established by the State of Michigan Department of Highways and Transportation. Actual costs include depreciation on the machinery and equipment used to provide the service. The majority of the machinery and equipment maintained in this fund was purchased by other City departments. Replacement of the assets will be financed by Equipment Fund resources and continued contributions from other funds.

Sick Pay Fund – To account for the financing of accumulated sick pay earned by City employees. City funds contribute resources equal to the amounts earned by the employees during the current period.

City of Fenton
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 379,485	\$ -	\$ 379,485
Investments	-	191,578	191,578
Due from other funds	11,783	7,089	18,872
Due from component units	-	29	29
Total current assets	<u>391,268</u>	<u>198,696</u>	<u>589,964</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	1,233,859	-	1,233,859
Less accumulated depreciation	<u>(951,497)</u>	<u>-</u>	<u>(951,497)</u>
Total capital assets (net of accumulated depreciation)	<u>282,362</u>	<u>-</u>	<u>282,362</u>
Total assets	<u>673,630</u>	<u>198,696</u>	<u>872,326</u>
Liabilities			
Current liabilities:			
Accounts payable	16,286	-	16,286
Accrued liabilities	14	198,696	198,710
Total current liabilities	<u>16,300</u>	<u>198,696</u>	<u>214,996</u>
Net Assets			
Unrestricted	<u>657,330</u>	<u>-</u>	<u>657,330</u>
Total net assets	<u>\$ 657,330</u>	<u>\$ - 0 -</u>	<u>\$ 657,330</u>

City of Fenton
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2004

	<u>Equipment</u>	<u>Sick Pay</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$ 364,024	\$ -	\$ 364,024
Other income	3,427	-	3,427
	<hr/>	<hr/>	<hr/>
Total operating revenue	367,451	-	367,451
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Wages and salaries	12,190	18,986	31,176
Supplies	6,614	-	6,614
Gas and oil	21,093	-	21,093
Heat, power, and lights	41,802	-	41,802
Accrued interest	81,525	-	81,525
Equipment rent	335	-	335
Depreciation	141,069	-	141,069
Insurance	19,496	-	19,496
Miscellaneous	569	-	569
	<hr/>	<hr/>	<hr/>
Total operating expenses	324,693	18,986	343,679
	<hr/>	<hr/>	<hr/>
Operating income (loss)	42,758	(18,986)	23,772
	<hr/>	<hr/>	<hr/>
Nonoperating revenues:			
Interest on investments	4,275	1,358	5,633
Gain on sale of fixed assets	11,616	-	11,616
	<hr/>	<hr/>	<hr/>
Total non-operating revenues	15,891	1,358	17,249
	<hr/>	<hr/>	<hr/>
Income (loss) before transfers	58,649	(17,628)	41,021
	<hr/>	<hr/>	<hr/>
Transfers in	-	17,628	17,628
	<hr/>	<hr/>	<hr/>
Change in net assets	58,649	-	58,649
	<hr/>	<hr/>	<hr/>
Net assets - beginning of year	598,681	-	598,681
	<hr/>	<hr/>	<hr/>
Net assets - end of year	<u>\$ 657,330</u>	<u>\$ - 0 -</u>	<u>\$ 657,330</u>

City of Fenton
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2004

	Equipment	Sick Pay	Total
Cash flows from operating activities:			
Receipts from quasi-external transactions	\$ 361,457	\$ -	\$ 361,457
Payments to suppliers	(186,098)	-	(186,098)
Payments to employees	(12,597)	(17,628)	(30,225)
Net cash provided in (used in) operating activities	162,762	(17,628)	145,134
Cash flows from noncapital financing activities:			
Transfers in	-	17,628	17,628
Net cash provided by noncapital financing activities	-	17,628	17,628
Cash flows from capital and related financing activities:			
Proceeds from sale of fixed assets	10,774	-	10,774
Acquisition of fixed assets	(18,108)	-	(18,108)
Net cash used in capital and related financing activities	(7,334)	-	(7,334)
Cash flows from investing activities:			
Purchase of investments	5,451	(1,358)	4,093
Interest earned	-	1,358	1,358
Net cash provided by investing activities	5,451	-	5,451
Net increase in cash and cash equivalents	160,879	-	160,879
Cash and cash equivalents - beginning of year	218,606	-	218,606
Cash and cash equivalents - end of year	\$ 379,485	\$ - 0 -	\$ 379,485
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 42,758	\$ (18,986)	\$ 23,772
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	141,069	-	141,069
(Increase) decrease in assets:			
Due from other funds	(5,994)	(7,089)	(13,083)
Due from component units	-	(29)	(29)
Increase (decrease) in liabilities:			
Accounts payable	(14,664)	-	(14,664)
Accrued liabilities	(407)	16,856	16,449
Due to other funds	-	(8,380)	(8,380)
Total adjustments	120,004	1,358	121,362
Net cash provided in (used in) operating activities	\$ 162,762	\$ (17,628)	\$ 145,134

Fiduciary Funds

Agency Funds

Current Tax Collection Fund – To account for the collection and payment to the county, school districts, and other City funds of property taxes collected by the City on their behalf.

Employees Union – To account for amounts withheld from City employee payroll related to union dues and related payments.

**City of Fenton
Combining Balance Sheet
Fiduciary Funds
June 30, 2004**

	<u>Agency Funds</u>		
	<u>Tax Collection</u>	<u>Employees Union</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 38,957	\$ 6,901	\$ 45,858
Investments	1,041	-	1,041
Total assets	<u>\$ 39,998</u>	<u>\$ 6,901</u>	<u>\$ 46,899</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 10,562	\$ -	\$ 10,562
Due to other governments	29,436	-	29,436
Due to employees - union groups	-	6,901	6,901
Total liabilities	<u>\$ 39,998</u>	<u>\$ 6,901</u>	<u>\$ 46,899</u>

City of Fenton
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ 51,464	\$ 17,761,045	\$ 17,773,552	\$ 38,957
Investments	1,034	7	-	1,041
Total assets	<u>\$ 52,498</u>	<u>\$ 17,761,052</u>	<u>\$ 17,773,552</u>	<u>\$ 39,998</u>
Liabilities				
Accounts payable	\$ -	\$ 10,562	\$ -	\$ 10,562
Due to other governments	52,498	17,750,490	17,773,552	29,436
Total liabilities	<u>\$ 52,498</u>	<u>\$ 17,761,052</u>	<u>\$ 17,773,552</u>	<u>\$ 39,998</u>
<u>Employees' Union</u>				
Assets				
Cash and cash equivalents	\$ 5,740	\$ 1,161	\$ - 0 -	\$ 6,901
Liabilities				
Due to employees - union groups	\$ 5,740	\$ 1,161	\$ - 0 -	\$ 6,901
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 57,204	\$ 17,762,206	\$ 17,773,552	\$ 45,858
Investments	1,034	7	-	1,041
Total assets	<u>\$ 58,238</u>	<u>\$ 17,762,213</u>	<u>\$ 17,773,552</u>	<u>\$ 46,899</u>
Liabilities				
Accounts payable	\$ -	\$ 10,562	\$ -	\$ 10,562
Due to other governments	52,498	17,750,490	17,773,552	29,436
Due to employees-union groups	5,740	1,161	-	6,901
Total liabilities	<u>\$ 58,238</u>	<u>\$ 17,762,213</u>	<u>\$ 17,773,552</u>	<u>\$ 46,899</u>

Other Financial Information

**Capital Assets used in the Operation of
Governmental Funds**

City of Fenton
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source¹
June 30, 2004

Governmental funds capital assets:

Land and building	\$ 5,720,365
Improvements - other than buildings	546,530
Vehicles	871,325
Office equipment	93,826
Machinery and other equipment	<u>443,665</u>

Total governmental funds capital assets	<u><u>\$ 7,675,711</u></u>
---	----------------------------

Investments in governmental funds capital assets by source:

General fund	<u>\$ 7,675,711</u>
--------------	---------------------

Total governmental funds capital assets	<u><u>\$ 7,675,711</u></u>
---	----------------------------

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Fenton
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity¹
June 30, 2004

	<u>Total</u>	<u>Buildings</u>
General government:		
City hall and grounds	\$ 561,577	\$ 316,405
Other city property	<u>2,357,645</u>	<u>2,214,697</u>
Total general government	<u>2,919,222</u>	<u>2,531,102</u>
Public safety:		
Police	587,845	348,315
Fire	<u>3,708,409</u>	<u>2,695,074</u>
Total public safety	<u>4,296,254</u>	<u>3,043,389</u>
Culture and recreation	<u>460,235</u>	<u>145,874</u>
Total governmental funds capital assets	<u><u>\$ 7,675,711</u></u>	<u><u>\$ 5,720,365</u></u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Improvements other than Buildings	Vehicles	Office Equipment	Machinery and Equipment
\$ 176,061	\$ -	\$ 69,111	\$ -
96,118	-	17,788	29,042
272,179	-	86,899	29,042
6,420	-	6,927	226,183
14,900	871,325	-	127,110
21,320	871,325	6,927	353,293
253,031	-	-	61,330
\$ 546,530	\$ 871,325	\$ 93,826	\$ 443,665

City of Fenton
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity¹
Year Ended June 30, 2004

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Additions	Deletions	Governmental Funds Capital Assets June 30, 2004
Legislative and executive:				
City council	\$ 1,395	\$ -	\$ 1,395	\$ -
Elections	7,042	-	7,042	-
Total legislative and executive	8,437	-	8,437	-
General government:				
Assessor	16,555	-	16,555	-
Clerk	17,235	-	17,235	-
Treasurer	15,830	-	15,830	-
City hall and grounds	760,772	49,995	249,190	561,577
Other city property	6,423,647	-	4,066,002	2,357,645
Total general government	7,234,039	49,995	4,364,812	2,919,222
Public safety:				
Police	831,145	-	243,300	587,845
Fire	1,156,812	2,667,874	116,277	3,708,409
Building department	850	-	850	-
Total public safety	1,988,807	2,667,874	360,427	4,296,254
Culture and recreation	530,857	-	70,622	460,235
Sewer capacity assets	7,567,244	-	7,567,244	-
Total governmental funds capital assets	\$ 17,329,384	\$ 2,717,869	\$ 12,371,542	\$ 7,675,711

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Fenton
Annual Debt Service Requirement
on Long-Term Debt
June 30, 2004**

**Fiscal Year
Ended June 30**

2005	\$ 2,663,875
2006	2,656,499
2007	2,606,933
2008	2,604,992
2009	2,612,045
2010	2,549,901
2011	2,551,035
2012	2,400,737
2013	2,399,255
2014	2,394,173
2015	2,401,012
2016	2,380,620
2017	1,744,067
2018	1,725,400
2019	1,707,486
2020	1,119,500
2021	1,099,800
2022	614,625
2023	615,000

\$ 38,846,955

Principal
Interest

\$ 28,597,770
10,249,185

\$ 38,846,955

**Long Term Debt Schedules
Governmental Funds and
Business Type Funds**

City of Fenton
Schedule of Debt Service Requirements
Pierce Dash Pumper Fire Truck
June 30, 2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>September 1</u>	<u>Principal</u> <u>September 1</u>	<u>Total</u> <u>Requirements</u>
2005	\$ 3,304	\$ 36,954	\$ 40,258
2006	1,687	38,571	40,258
	<u>\$ 4,991</u>	<u>\$ 75,525</u>	<u>\$ 80,516</u>

City of Fenton
Governmental
Schedule of 1991 Local Development Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest January 1</u>	<u>Interest July 1</u>	<u>Principal July 1</u>	<u>Total Requirements</u>
2005	\$ 27,891	\$ 27,891	\$ 100,000	\$ 155,782
2006	24,703	24,703	110,000	159,406
2007	21,197	21,197	115,000	157,394
2008	17,531	17,531	125,000	160,062
2009	13,547	13,547	135,000	162,094
2010	9,244	9,244	140,000	158,488
2011	4,781	4,781	150,000	159,562
	<u>\$ 118,894</u>	<u>\$ 118,894</u>	<u>\$ 875,000</u>	<u>\$ 1,112,788</u>

City of Fenton
Governmental
Schedule of 1994 Downtown Development Bonds
June 30, 2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>November 1</u>	<u>Interest</u> <u>May 1</u>	<u>Principal</u> <u>May 1</u>	<u>Total</u> <u>Requirements</u>
2005	\$ 11,323	\$ 11,323	\$ 60,000	\$ 82,646
2006	9,388	9,388	65,000	83,776
2007	7,259	7,259	70,000	84,518
2008	4,931	4,931	70,000	79,862
2009	2,569	2,569	75,000	80,138
	<u>\$ 35,470</u>	<u>\$ 35,470</u>	<u>\$ 340,000</u>	<u>\$ 410,940</u>

City of Fenton
Governmental
Schedule of 2002 General Obligation Limited Tax Development Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Principal April 1</u>	<u>Total Requirements</u>
2005	\$ 125,330	\$ 125,330	\$ 235,000	\$ 485,660
2006	120,395	120,395	235,000	475,790
2007	115,460	115,460	235,000	465,920
2008	110,525	110,525	245,000	466,050
2009	105,380	105,380	260,000	470,760
2010	99,855	99,855	290,000	489,710
2011	93,693	93,692	305,000	492,385
2012	87,211	87,212	320,000	494,423
2013	80,411	80,412	335,000	495,823
2014	73,293	73,292	350,000	496,585
2015	65,855	65,855	365,000	496,710
2016	57,825	57,825	385,000	500,650
2017	49,163	49,162	400,000	498,325
2018	40,163	40,162	420,000	500,325
2019	30,713	30,712	440,000	501,425
2020	20,813	20,812	460,000	501,625
2021	10,463	10,462	465,000	485,925
	<u>\$ 1,286,548</u>	<u>\$ 1,286,543</u>	<u>\$ 5,745,000</u>	<u>\$ 8,318,091</u>

City of Fenton
Enterprise Fund - Sewer
Schedule of 1997 Sewage Disposal System No. 3 Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Principal April 1</u>	<u>Total Requirements</u>
2005	\$ 214,758	\$ 214,758	\$ 500,555	\$ 930,071
2006	197,239	197,239	500,555	895,033
2007	184,224	184,224	500,555	869,003
2008	171,084	171,084	605,935	948,103
2009	154,724	154,724	645,453	954,901
2010	137,297	137,297	684,970	959,564
2011	118,803	118,803	711,315	948,921
2012	99,597	99,597	724,488	923,682
2013	80,036	80,036	737,660	897,732
2014	60,119	60,119	737,660	857,898
2015	40,202	40,202	737,660	818,064
2016	20,286	20,286	737,659	778,231
	<u>\$ 1,478,369</u>	<u>\$ 1,478,369</u>	<u>\$ 7,824,465</u>	<u>\$ 10,781,203</u>

Contract with Genesee County
Date of issue: September 11, 1996

City of Fenton
Enterprise Fund - Sewer
Schedule of Sewage Disposal System No. 3 Series 1998 Bonds
June 30, 2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>September 1</u>	<u>Interest</u> <u>March 1</u>	<u>Principal</u> <u>March 1</u>	<u>Total</u> <u>Requirements</u>
2005	\$ 81,679	\$ 81,679	\$ 97,641	\$ 260,999
2006	79,421	79,421	136,184	295,026
2007	76,186	76,186	167,017	319,389
2008	72,220	72,220	97,641	242,081
2009	69,901	69,901	97,641	237,443
2010	67,582	67,582	97,641	232,805
2011	65,262	65,262	113,058	243,582
2012	62,578	62,578	143,892	269,048
2013	59,160	59,160	177,296	295,616
2014	54,905	54,905	223,546	333,356
2015	49,484	49,484	274,936	373,904
2016	42,782	42,782	308,340	393,904
2017	35,074	35,074	462,510	532,658
2018	23,511	23,511	470,219	517,241
2019	11,755	11,754	470,218	493,727
	<u>\$ 851,500</u>	<u>\$ 851,499</u>	<u>\$ 3,337,780</u>	<u>\$ 5,040,779</u>

Contract with Genesee County
Date of issue: June 8, 1998

City of Fenton
Enterprise Fund - Water
Schedule of Michigan Municipal Bond Authority -
Michigan Drinking Water Revolving Fund Bonds
June 30, 2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2005	\$ 13,917	\$ 13,917	\$ 65,000	\$ 92,834
2006	13,105	13,105	65,000	91,210
2007	12,292	12,292	70,000	94,584
2008	11,417	11,417	70,000	92,834
2009	10,542	10,542	70,000	91,084
2010	9,667	9,667	75,000	94,334
2011	8,730	8,730	75,000	92,460
2012	7,792	7,792	80,000	95,584
2013	6,792	6,792	80,000	93,584
2014	5,792	5,792	80,000	91,584
2015	4,792	4,792	85,000	94,584
2016	3,730	3,730	85,000	92,460
2017	2,667	2,667	90,000	95,334
2018	1,542	1,542	90,000	93,084
2019	417	417	95,000	95,834
	<u>\$ 113,194</u>	<u>\$ 113,194</u>	<u>\$ 1,175,000</u>	<u>\$ 1,401,388</u>

Michigan Municipal Bond Authority
Date of issue: April 1, 1999
Interest rate: 2.5%

City of Fenton
Enterprise Fund - Water
Schedule of Michigan Municipal Bond Authority -
Michigan Drinking Water Revolving Fund Bonds
June 30, 2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2005	\$ 115,312	\$ 115,313	\$ 385,000	\$ 615,625
2006	110,500	110,500	395,000	616,000
2007	105,563	105,562	405,000	616,125
2008	100,500	100,500	415,000	616,000
2009	95,312	95,313	425,000	615,625
2010	90,000	90,000	435,000	615,000
2011	84,563	84,562	445,000	614,125
2012	79,000	79,000	460,000	618,000
2013	73,250	73,250	470,000	616,500
2014	67,375	67,375	480,000	614,750
2015	61,375	61,375	495,000	617,750
2016	55,187	55,188	505,000	615,375
2017	48,875	48,875	520,000	617,750
2018	42,375	42,375	530,000	614,750
2019	35,750	35,750	545,000	616,500
2020	28,938	28,937	560,000	617,875
2021	21,937	21,938	570,000	613,875
2022	14,813	14,812	585,000	614,625
2023	7,500	7,500	600,000	615,000
	<u>\$ 1,238,125</u>	<u>\$ 1,238,125</u>	<u>\$ 9,225,000</u>	<u>\$ 11,701,250</u>

Michigan Municipal Bond Authority
Date of issue: December 19, 2002
Interest rate: 2.5%

Statistical Section

Table 1

City of Fenton, Michigan
General Governmental Expenditures By Function ⁽¹⁾ – Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Legislative and Executive</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Recreation and Cultural</u>
1995	\$ 75,512	\$ 824,971	\$1,304,331	\$1,966,656	\$132,285
1996	79,820	773,344	1,342,828	1,524,246	120,305
1997	85,843	915,532	1,302,153	1,237,978	281,583
1998	107,743	971,861	1,648,956	1,499,286	154,928
1999	119,817	1,370,550	1,667,005	2,242,031	189,967
2000	136,428	2,031,287	1,921,844	1,613,052	196,792
2001	94,977	1,446,025	2,183,186	2,246,069	299,346
2002	101,242	1,602,382	1,895,435	1,619,268	326,765
2003	165,196	1,114,972	2,594,115	2,163,482	266,667
2004	168,023	1,110,618	2,686,839	1,771,524	196,359

NOTE:

(1) Includes General, Special Revenue, Debt Service Funds, and Capital Projects.

(2) Includes cemetery and community service functions.

<u>Other⁽²⁾</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$168,344	\$ -	\$464,792	\$4,936,891
144,641	-	388,806	4,373,990
157,784	-	289,737	4,270,610
115,230	-	224,258	4,722,262
183,952	-	204,276	5,977,598
243,025	-	201,240	6,343,668
180,881	-	168,035	6,618,519
183,306	-	94,247	5,822,645
177,293	31,570	93,014	6,606,309
186,713	700,109	774,909	7,595,094

Table 2

City of Fenton, Michigan
General Governmental Revenues by Source ⁽¹⁾ – Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>
1995	\$2,215,638	\$ 23,614	\$ 87,400	\$1,795,062	\$555,598
1996	2,257,547	23,121	155,998	1,456,986	560,477
1997	2,304,901	16,686	193,355	1,481,959	596,982
1998	2,372,044	10,504	121,678	1,496,512	707,626
1999	2,548,531	8,095	151,112	1,516,568	738,598
2000	2,537,026	6,190	175,728	1,846,859	781,073
2001	2,680,851	1,476	201,462	1,890,045	757,617
2002	2,992,277	37,404	189,527	1,798,813	807,434
2003	3,331,320	31,234	207,890	1,745,502	853,325
2004	3,471,199	21,592	199,950	1,643,819	890,454

NOTE:

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Projects.
- (2) Includes refunds and reimbursements.

<u>Fines and Forfeits</u>	<u>Interest</u>	<u>Miscellaneous</u> ⁽²⁾	<u>Total</u>
\$ 46,953	\$ 96,225	\$ 30,451	\$4,850,941
41,280	109,702	28,973	4,634,084
47,955	139,470	28,482	4,809,790
48,262	140,065	275,494	5,172,185
48,378	155,254	84,571	5,251,107
29,844	165,733	114,149	5,656,602
32,016	123,442	163,663	5,850,572
48,652	60,945	101,277	6,036,329
52,113	41,026	137,620	6,400,030
87,889	57,980	120,172	6,493,055

Table 3

City of Fenton, Michigan
Property Tax Levies and Collections – Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1995	\$2,244,417	\$2,113,802	94.2%	\$127,587	\$2,241,389
1996	2,248,066	2,122,472	94.4	124,093	2,246,565
1997	2,390,960	2,274,471	95.1	113,792	2,388,263
1998	2,533,005	2,409,675	95.1	114,731	2,524,406
1999	2,804,107	2,655,840	94.7	139,519	2,759,359
2000	2,895,094	2,740,034	94.6	139,102	2,879,136
2001	3,197,129	3,039,444	95.1	154,587	3,194,031
2002	3,467,617	3,252,501	93.8	199,781	3,452,282
2003	3,886,769	3,651,783	94.0	211,537	3,863,320
2004	4,023,151	3,827,520	95.1	195,631	4,013,696

NOTE:

- (1) Real property taxes which become delinquent are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, percent of collections for real property taxes is 100 percent.

<u>Percent of Total Tax Collections to Tax Levy ⁽¹⁾</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
99.9%	\$ 3,028	0.13%
99.9	1,501	0.07
99.9	2,427	0.10
99.7	8,599	0.30
99.7	8,748	0.30
99.4	15,958	0.60
99.9	3,197	0.10
99.6	15,335	0.44
99.4	23,449	0.60
99.8	9,455	0.20

Table 4

City of Fenton, Michigan
Assessed and Taxable Value of Taxable Property – Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	
	<u>Assessed Value ⁽¹⁾</u>	<u>Taxable Value ⁽²⁾</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
1995	\$161,632,550	\$161,632,550	\$15,641,300	\$15,641,200	\$177,273,850	\$177,273,750
1996	174,177,050	171,809,115	19,093,550	19,093,550	193,270,600	190,902,665
1997	193,514,780	186,399,410	21,437,450	21,437,450	214,952,230	207,836,860
1998	211,219,775	199,089,306	24,080,550	24,080,550	235,300,325	233,169,856
1999	237,452,800	216,610,250	31,095,100	31,095,100	268,547,900	247,705,350
2000	255,165,300	229,218,760	32,583,290	32,583,290	287,748,590	261,802,050
2001	280,930,100	252,740,030	37,361,000	37,361,000	318,291,100	290,101,030
2002	374,537,000	281,305,320	36,154,000	36,154,000	410,691,000	317,459,320
2003	403,871,880	316,473,480	37,544,000	37,544,000	441,415,880	354,017,480
2004	444,706,000	332,504,010	37,467,400	37,467,400	482,173,400	369,971,410

NOTE:

(1) Assessed value represents 50% of market value.

(2) In fiscal year 1996, Taxable Value replaced State Equalized Value as the basis on which property taxes are levied.

Table 5

City of Fenton, Michigan
Property Tax Rates – Direct and Overlapping Governments
(Per \$1,000 of Taxable Valuation) – Unaudited
Last Ten Fiscal Years

<u>Municipality</u>	<u>Type of Levy</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
City of Fenton	Operating	10.87	10.98	11.00	11.00	11.00
	Debt	0.00	0.00	0.00	0.00	0.00
Genesee County	Operating	5.52	5.51	5.57	5.57	5.58
	Parks	0.49	0.49	0.49	0.49	0.49
	Paramedic	0.49	0.49	0.49	0.49	0.49
	Library	0.76	0.77	0.77	0.77	0.79
	Airport	0.49	0.49	0.49	0.49	0.49
	MTA	0.40	0.40	0.40	0.40	0.40
State of Michigan	SET (non-homestead)	5.00	6.00	6.00	6.00	6.00
Fenton Schools	Operating	0.00	0.00	0.00	0.00	0.00
	Operating (non-homestead)	17.54	17.79	17.79	17.79	18.00
	Debt	7.59	7.61	7.64	7.63	7.65
Genesee Intermediate	Operating	3.52	3.57	3.58	3.60	3.60
Mott Community College	Operating	1.98	2.00	2.02	1.37	1.37
	Debt	0.74	0.82	0.85	0.50	0.50
Southern Lakes Regional Metropolitan Parks and Recreation	Operating	0.40	0.40	0.40	0.00	0.00
Total		<u>55.79</u>	<u>57.32</u>	<u>57.49</u>	<u>56.10</u>	<u>56.36</u>

<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
11.00	11.00	11.00	11.00	11.00
0.32	0.35	0.57	0.80	1.58
5.59	5.59	5.59	5.59	5.59
0.49	0.49	0.49	0.49	0.49
0.49	0.49	0.49	0.49	0.49
0.79	0.79	0.69	0.69	0.69
0.49	0.49	0.49	0.49	0.49
0.40	0.40	0.40	0.00	0.00
6.00	6.00	6.00	6.00	6.00
1.00	0.00	0.00	0.00	0.00
17.98	17.98	18.00	18.00	18.00
6.65	3.30	3.30	3.30	3.30
3.60	3.60	3.60	3.60	3.60
1.37	1.37	1.37	1.37	1.37
0.50	0.50	0.50	0.50	0.50
0.00	0.00	0.00	0.00	0.00
56.67	52.35	52.49	52.32	53.10

Table 6

City of Fenton, Michigan
Special Assessments Billings and Collections – Unaudited
Last Ten Fiscal Years

<u>Tax Roll Year</u>	<u>Current Assessments Billed ⁽¹⁾</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments ⁽²⁾</u>
1995	\$ 28,317	\$ 28,317	100%	\$155,384
1996	20,456	20,456	100	109,814
1997	11,379	11,379	100	80,967
1998	10,271	10,271	100	67,110
1999	20,642	18,709	91	54,247
2000	6,313	4,573	72	168,764
2001	3,656	1,211	33	165,108
2002	16,647	12,761	77	128,068
2003	10,163	9,197	90	104,460
2004	10,182	9,076	89	108,107

NOTES:

(1) Special assessments are billed annually (June 1) and become delinquent after one year. Delinquent special assessments are levied as part of the taxpayer's annual property tax billing. Billings which become delinquent (i.e., real property taxes including special assessments) are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, after a two year period, all special assessment levies are 100% collected.

(2) Includes current and deferred portions.

City of Fenton, Michigan
Ratio of Net General Bonded Debt to Taxable
Value and Net Bonded Debt Per Capita – Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Taxable Valuation (In Thousands) ⁽⁴⁾</u>	<u>Gross Bonded and Contract Debt (In Thousands) ⁽²⁾</u>	<u>Debt Service Funds Available (In Thousands) ⁽³⁾</u>
1995	9,363 ⁽¹⁾	\$177,274	\$ 3,510	\$ 783
1996	9,363	190,903	3,090	839
1997	9,363	207,836	11,996	252
1998	9,705 ⁽¹⁾	223,170	11,742	234
1999	9,705	247,705	16,631	830
2000	9,705	261,802	16,100	1,614
2001	10,582 ⁽⁵⁾	290,101	15,572	183
2002	10,582	317,459	21,519	87
2003	10,582	354,017	29,985	2,392
2004	10,582	369,971	28,598	2,930

NOTE:

- (1) U.S. Bureau of Census population estimates.
- (2) Includes all long-term general obligation bonded debt, but does not include special assessment debt.
- (3) Debt Service Funds available excludes fund balance related to special assessment Debt Service funds. Includes Local Development Finance Authority and Downtown Development Authority Debt.
- (4) In fiscal year 1996, Taxable Value replaced State Equalized Value as the basis on which property taxes are levied.
- (5) Actual 2000 census.

Debt Payable From Enterprise Revenue <u>(In Thousands)</u>	Net Bonded Debt <u>(In Thousands)</u>	Ratio of Net Bonded Debt to Taxable <u>Value</u>	Net Debt <u>Per Capita</u>
\$ 75	\$ 2,652	1.50%	\$ 283
-	2,284	1.20	244
9,192	2,552	1.23	273
9,192	2,316	1.03	239
14,341	2,290	0.92	236
14,092	2,008	0.77	207
13,830	1,742	0.60	165
13,613	7,819	2.46	739
22,529	5,064	1.43	479
21,562	4,106	1.11	388

Table 8

City of Fenton, Michigan
Computation of Legal Debt Margin – Unaudited
June 30, 2004

	<u>Issue Date</u>	<u>Amount Outstanding</u>	
Direct debt			
Authority Bonds			
LDFA, LT	09/01/91	\$ 875,000	
DDA, LT	05/01/95	340,000	
DDA, LT	10/22/01	<u>5,745,000</u>	\$ 6,960,000
Share of County Issued Bonds			
Sewer	09/11/96	7,824,465	
Sewer	06/08/98	<u>3,337,780</u>	11,162,245
Michigan Municipal Bond Authority –			
Michigan Drinking Water Bonds	04/01/99	1,175,000	
Michigan Drinking Water Bonds	12/19/02	<u>9,225,000</u>	10,400,000
Note Payable – Fire Truck			<u>75,525</u>
Total direct debt			28,597,770
Less: Self-supported Bonds			<u>21,637,770</u>
Net direct debt			<u>\$ 6,960,000</u>
Legal debt margin			
Assessed Valuation		<u>\$482,173,400</u>	
Debt limit – 10% of Assessed Valuation			\$48,217,340
Amount of direct debt		\$ 28,597,770	
Less: Self-supported Bonds		<u>21,637,770</u>	
Total subject to debt limit			<u>6,960,000</u>
Additional debt which could be legally incurred			<u>\$41,257,340</u>

City of Fenton, Michigan
Computation of Direct and Overlapping Debt – Unaudited
June 30, 2004

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Fenton</u>	<u>Amount Applicable to City of Fenton</u>
Direct:			
City of Fenton	<u>\$ 6,960,000</u>	100.0%	<u>\$ 6,960,000</u>
Overlapping:			
Mott Community College	68,110,357	3.53	2,404,295
Genesee County	124,870,930	3.69	4,607,737
Fenton School District	39,859,890	48.55	19,351,976
Lake Fenton School District	30,090,000	5.36	1,612,824
Genesee ISD	<u>2,012,647</u>	3.53	<u>71,046</u>
Total overlapping	<u>264,943,824</u>		<u>28,047,878</u>
Total	<u>\$271,903,824</u>		<u>\$35,007,878</u>

NOTE: The obligations represent bonded debt where a full faith and credit pledge of the governmental unit is made as security for payment of the associated principal and interest on the bonds.

Table 10

City of Fenton, Michigan
Revenue Bond Coverage Water Bonds - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Direct Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1995	\$ 550,817	\$567,337	\$ (16,520)	\$ -	\$ -	\$ -	0.00%
1996	844,644	606,924	237,720	-	-	-	0.00
1997	900,468	678,173	222,295	-	-	-	0.00
1998	958,761	751,389	207,372	-	-	-	0.00
1999	971,932	799,977	171,955	-	-	-	0.00
2000	992,774	774,629	218,145	-	-	-	0.00
2001	1,044,631	625,834	418,797	60,000	33,029	93,029	4.50
2002	1,088,103	746,622	341,481	60,000	32,460	92,460	3.69
2003	1,269,420	826,590	442,830	60,000	30,960	90,960	4.87
2004	1,443,342	841,022	602,320	65,000	29,460	94,460	6.38

NOTE:

The method to record tap-in fees received by the City has been changed for the year ended June 30, 1996. Tap-in fees in the Water and Sewer Funds to the extent they are in excess of cost are now recorded as non-operating revenues.

City of Fenton, Michigan
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> ⁽¹⁾	<u>Total General Expenditures</u> ⁽²⁾	<u>Ratio of Debt Service to Total General Expenditures</u>
1995	\$277,743	\$ 94,743	\$372,486	\$4,936,891	7.5%
1996	298,786	75,824	374,610	4,373,990	8.6
1997	221,046	55,187	276,233	4,270,610	6.5
1998	169,282	42,239	211,521	4,722,262	4.5
1999	160,128	32,358	192,486	5,977,598	3.2
2000	167,477	22,534	190,011	6,343,668	2.0
2001	146,324	11,050	157,374	6,618,519	2.4
2002	83,097	11,150	94,247	5,822,645	1.6
2003	50,598	2,158	52,756	6,534,481	0.8
2004	420,405	354,504	774,909	7,595,094	10.2

Notes:

- (1) Does not include general bonded debt issued for proprietary funds, component units, or special assessment debt.
- (2) Includes General, Special Revenue, and Debt Service Funds.

**City of Fenton, Michigan
Demographic Statistics – Unaudited
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Per Capita Income⁽¹⁾</u>	<u>Median Age ⁽¹⁾</u>	<u>Education Level in Years of Formal Schooling⁽¹⁾</u>	<u>Enrollment⁽²⁾</u>	<u>Unemployment Percentage Rate ⁽³⁾</u>
1995	9,363 ⁽⁴⁾	\$ 12,079	33.9	12.2	3,174	4.2%
1996	9,363	12,079	33.9	12.2	3,203	3.5
1997	9,363	12,079	33.9	12.2	3,350	3.2
1998	9,705 ⁽⁵⁾	12,079	33.9	12.2	3,376	3.8
1999	9,705	12,079	33.9	12.2	3,344	3.3
2000	10,582 ⁽⁶⁾	22,435	34.0	12.2	3,453	2.8
2001	10,582	22,435	34.0	12.2	3,530	5.1
2002	10,582	22,435	34.0	12.2	3,565	5.2
2003	10,582	22,435	34.0	12.2	3,626	5.4
2004	10,582	22,435	34.0	12.2	3,756	4.7

SOURCES:

- (1) U.S. Census and Federal Revenue Sharing Entitlement Population estimates.
- (2) Superintendent of Fenton Schools 4th Friday enrollment count.
- (3) Michigan Employment Security Commission, Genesee County.
- (4) 1994 estimated from U. S. Census.
- (5) 1998 estimated from U. S. Census.
- (6) Actual 2000 Census.

City of Fenton, Michigan
Property Value, Construction, and Bank Deposits - Unaudited
Last Ten Fiscal Years

Assessment Date <u>June 30</u>	<u>Commercial Construction⁽¹⁾</u>		<u>Residential Construction⁽¹⁾</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
1995	81 ⁽³⁾	\$16,291,156	69	\$ 6,049,359
1996	253 ⁽³⁾	21,533,609	47	4,300,134
1997	87 ⁽³⁾	17,513,982	232 ⁽⁴⁾	13,281,182
1998	69 ⁽³⁾	10,296,422	22	1,922,807
1999	82 ⁽³⁾	9,905,085	82	6,391,000
2000	17 ⁽³⁾	13,023,780	127	10,126,540
2001	20 ⁽³⁾	17,272,071	94	9,180,418
2002	20 ⁽³⁾	14,628,070	63	8,947,421
2003	8	3,690,700	52	7,375,058
2004	5	2,834,345	80	10,745,550

SOURCES:

- (1) Source: City of Fenton – Building permit records. Includes new construction only.
- (2) Estimated actual or market value which is approximately two times the assessed value.
- (3) Includes apartment buildings on a per unit basis.
- (4) Includes mobile homes.

<u>Property Value ⁽²⁾</u>		
<u>Commercial</u>	<u>Residential</u>	<u>Industrial and Utility</u>
\$ 96,492,300	\$230,988,400	\$20,873,400
113,267,200	249,605,400	22,236,900
122,039,922	274,378,490	27,496,700
138,527,420	363,774,000	32,628,200
150,691,600	323,857,200	36,484,400
165,003,820	350,302,040	40,079,200
251,163,200	447,857,200	50,053,600
283,091,800	472,390,000	52,495,600
314,911,160	520,383,400	54,961,720
332,085,400	522,097,320	54,950,200

Table 14

City of Fenton, Michigan
Principal Taxpayers – Unaudited
June 30, 2004

<u>Taxpayers</u>	<u>Product/ Service</u>	<u>Taxable Value</u>	<u>IFT/CFT Value</u>	<u>Total Valuation</u>
Georgetown	Apartments	\$ 7,917,400	\$ -	\$7,917,400
Silver Lake Hills	Apartments	7,501,800	-	7,501,800
Creative Foam	Automotive supplier	4,779,700	2,329,600	7,109,300
Consumers Energy	Utility	5,942,590	-	5,942,590
Century Tool	Tool maker	5,393,180	-	5,393,180
Regency	Realty	5,149,100	-	5,149,100
Wal-Mart	Retail	4,968,260	-	4,968,260
Home Depot	Retail	4,609,090	-	4,609,090
K-Mart Corporation	Retail	4,383,670	-	4,383,670
Ring Screw Works	Wholesale/mfg.	4,505,240	-	4,505,240
Farmer Jack	Groceries	3,549,120	-	3,549,120
Silver Pointe	Strip Mall	2,952,740	-	2,952,740
D.W. Detroit	Wholesale distributor	2,816,310	-	2,816,310
The State Bank	Banking	2,391,550	-	2,391,550
VG's Supermarket	Groceries	2,102,340	-	2,102,340
Total		<u>\$68,962,090</u>	<u>\$2,329,600</u>	<u>\$71,291,690</u>

City of Fenton, Michigan
Miscellaneous Statistics – Unaudited
June 30, 2004

Date of Incorporation:	January 24, 1964
Form of Government	Council – Manager
Fire Protection:	
Number of stations	1
Number of firemen and officers	1 full-time, 32 part-time
Police Protection:	
Number of stations	1
Number of policemen and officers	2 part-time and 15 full-time sworn officers
Education (Source – Superintendent of Schools – Public Schools Only):	
Attendance centers	6
Number of classrooms	171
Number of teachers	200
Number of students	3,756
Recreation and Culture:	
Number of parks	9
Number of libraries	1 County
Number of volumes	Annual circulation – 100,002, Fixed capacity 55,000
Employees (Full-Time):	
Classified service	46
Municipal Water Department:	
Number of consumers	4,214
Average daily consumption	1,510,000 gallons per day
Miles of water mains	40 miles
Sewers:	
Sanitary sewers	40 miles
Storm sewer (maintained by City)	90
Building Permits Issued:	
New construction	85
Additions, repairs and other	203
	<hr/> 288 <hr/>
Area:	7 sq. miles
Miles of streets:	
City major streets	15.22 miles
City local streets	31.60 miles
State trunk lines	8.08 miles

September 30, 2004

City Council
City of Fenton, Michigan

We have audited the basic financial statements of the City of Fenton, Michigan for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the City of Fenton, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Fenton, Michigan are described in Note 1 to the basic financial statements. We noted no transactions entered into by the City of Fenton, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Fenton, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on a certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Fenton, Michigan's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations - 2004

1. Receipting procedures-Police department

To strengthen internal controls it is suggested that when the money is turned over to the treasurer's office from the Police Department that copy of receipts accompany the money so the treasurer's office can compare the deposit with the receipts and also account for the receipt sequence.

2. Garbage Collection stop reconciliation

It appears from our analysis of the average number of stops charged by Waste Management during fiscal 2004 compared to the number of stops that the city is billing out to customers that the City may not be capturing all the stops to bill to customers. The average per the invoices from Waste Management was 3,800 compared to a calculated average of 3,600 being billed by the City. We suggest that the City reconcile with Waste Management the number of stops. During the fiscal 2004 the expenditures in the garbage fund exceeded the revenues.

City Council
City of Fenton, Michigan
September 30, 2004
Page 3

We would like to take this opportunity to thank the City's staff for their full cooperation in assisting us with performing our audit of the City of Fenton, Michigan. We commend the Treasurer and the Deputy Treasurer for their competent assistance during the audit, especially the work to implement the provisions of the new accounting standard, GASB 34.

The information is intended solely for the use of the City Council and management of the City of Fenton, Michigan and should not be used for any other purpose.

BKR Dupuis & Regdon

Certified Public Accountants
Flint Office